

**STRATEGY IMPLEMENTATION AT KENYA ELECTRICITY
GENERATING COMPANY (KENGEN) LTD**

BY

KARANI TERESA

**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI.**

NOVEMBER 2009

DECLARATION

This management research project is my original work and has not been submitted for the award of a degree in any other university.

Signature:.....Date:.....

Karani Teresa

D61/P/7059/2004

This management research project has been submitted for examination with my approval as the university supervisor.

Signature:.....Date:.....

Prof. Evans Aosa

School of Business

University of Nairobi

DEDICATION

This work is dedicated to my parents, Michael Karani and Margaret Wanjiru for perpetually standing by me as I went out in search of my dream.

It is also dedicated to my children, Michael Karani and Margaret Wanjiru hoping that this work will inspire them to work hard in pursuit of their careers.

ACKNOWLEDGEMENT

I would like to thank my supervisor Prof. Evans Aosa for his good guidance, sharing his knowledge and experience and supervision of this work.

I am also grateful to my colleague Engineers at KenGen, and especially D. Muthike, S. Ngure, R. Nderitu, F. Lamba, S.D. Ochieng, K. Omar, I. Maina, S. Kariuki, G. Ngatia, E. Wamakima, P. Mutua, M. Karanja, W. Rutinu, J. Muoka, A. Kamau, and F. Ombongi for being there when I needed them.

I wish to recognize B. Waweru, J. Maina, M. Gachuhi, E. Njenga, W. Njiraini, M. Mwangi, G. Mwawongo, A. Njagi, L. Serem, G. Gichira and V. Asewe for their support in one way or other in the course of this study.

To you all I say thank you and God bless you.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
LIST OF TABLES.....	vii
LIST OF FIGURES.....	viii
LIST OF ABBREVIATIONS.....	ix
ABSTRACT.....	xi
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background.....	1
1.1.1 Strategy Implementation.....	2
1.1.2 The Power Industry.....	5
1.1.3 Kenya Electricity Generating Company (KenGen).....	7
1.2 Research Problem.....	8
1.3 Objectives of the Study.....	10
1.4 Value of the Study.....	10
CHAPTER TWO: LITERATURE REVIEW.....	11
2.1 The Concept of Strategy.....	11
2.2 Strategy Implementation.....	13
2.3 Factors that Contribute to Successful Strategy Implementation.....	14
2.3.1 Human Resources.....	14
2.3.2 Structure.....	15
2.3.3 Leadership.....	15
2.3.4 Culture.....	16
2.3.5 Policies and Procedures.....	17
2.3.6 Reward and Control Systems.....	18
2.3.7 Communication.....	19
2.3.8 McKinsey 7s Framework.....	20
2.4 Challenges of Strategy Implementation.....	21
2.5 The Balanced Scorecard and Strategy Map.....	24

CHAPTER THREE: RESEARCH METHODOLOGY.....	26
3.1 Introduction.....	26
3.2 Research Design.....	26
3.3 Data Collection.....	27
3.4 Data Analysis.....	28
CHAPTER FOUR: FINDINGS AND DISCUSSION.....	30
4.1 Introduction.....	30
4.2 Research Findings.....	30
4.2.1 Strategic Horizons for KenGen.....	30
4.2.2 The Implementation Strategy.....	32
4.2.3 Translating Strategy into Operation.....	37
4.2.4 Design of Structure and Governance.....	38
4.2.5 Competencies to drive the Strategy	40
4.2.6 Communicating the Strategy	42
4.2.7 Financing the Strategy	44
4.3 Challenges of Strategy Implementation.....	45
4.3.1 Measures to deal with Challenges.....	48
4.4 Discussions.....	50
CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS.....	53
5.1 Introduction.....	53
5.2 Summary.....	53
5.2.1 Strategy Implementation Practices.....	53
5.2.2 Challenges of Strategy Implementation.....	54
5.3 Recommendations.....	54
5.4 Limitations of the Study.....	55
5.5 Suggestions for Further Research.....	56
5.6 Conclusions.....	56
REFERENCES.....	58
APPENDICES.....	62
Appendix 1: Letter of Introduction.....	63
Appendix 2: Interview Guide.....	64
Appendix 3: KenGen Corporate Scorecard.....	66

LIST OF TABLES

Table 1: Human Resource by Skill Categories.....	41
Table 2: Communication Objectives and Stakeholders.....	43
Table 3: Communication System.....	43

LIST OF FIGURES

Figure 1: Critical path for KenGen to stabilize power situation over 3 strategic horizons.....	31
Figure 2: KenGen’s strategy for transformation from a “Good” to a “Great” company.....	32
Figure 3: An implementation strategy consisting of concrete MTIs with defined milestones.....	33
Figure 4: A traffic light system used by the TMO to establish the status of MTI	36
Figure 5: Best practice design principles used to align KenGen’s organisation to the strategy.....	38
Figure 6: Best practice span of control at KenGen.....	39
Figure 7: Framework for Measuring Human Capital Readiness.....	40

LIST OF ABBREVIATIONS

CER	:	Certified Emission Reductions
CBM	:	Condition Based Maintenance
CEO	:	Chief Executive Officer
CP	:	Capital planning and execution
EPC	:	Engineering, Procurement and Construction
ERC	:	Energy Regulatory Commission
ExCo	:	Executive Committee
FACT	:	Fact, Action, Constructive, Targeted
FEA	:	Foreign Exchange Adjustment
G2G	:	Good to Great
GoK	:	Government of the Republic of Kenya
GWh	:	Giga Watt hour
IPPA	:	Interim Power Purchase Agreement
IPPs	:	Independent Power Producers
ISO	:	International Organisation for Standardisation
KenGen	:	Kenya Electricity Generating Company Limited
KPI	:	Key Performance Indicator
KPLC	:	Kenya Power and Lighting Company
Ksh	:	Kenya Shillings
KW	:	Kilo Watt
KWh	:	Kilo Watt hour
LCDP	:	Least Cost Development Plan

LIST OF ABBREVIATIONS

MD	:	Managing Director
MoE	:	Ministry of Energy
MoF	:	Ministry of Finance
MTI	:	Major Transformation Initiative
MW	:	Mega Watt
NEMA	:	National Environmental Management Authority
OPP	:	Organisation Performance Profile
PPA	:	Power Purchase Agreement
SteerCo	:	Steering Committee
TMO	:	Transformation Monitoring Office

ABSTRACT

Strategy implementation is so critical in creating and sustaining competitive advantage in the business environment that it calls for research and development of appropriate technologies. This research work is part of that effort. In today's turbulent and competitive environment, there is an increasing recognition of the need for more dynamic approaches to formulating as well as implementing strategies. Implementing strategy is tougher and more time-consuming than strategy-making. Each implementation situation occurs in a different context, affected by differing factors such as business practices and competitive situations, work environments and cultures. The approach to implementation should therefore be customized.

The study was investigating the strategy implementation process at KenGen. It sought to establish the practices adopted by KenGen in strategy implementation. It also sought to establish the challenges encountered by KenGen in implementing its strategies. The findings of this study will contribute to building the existing body of knowledge in strategic management and specifically on strategy implementation.

A case study of KenGen was carried out. It involved an in-depth investigation of the phenomenon of strategy implementation. To obtain primary data, which was qualitative in nature, six top level executives were interviewed by use of semi-structured questionnaire. Secondary data was obtained from management information system, internet and printed records. The data collection instrument used was a semi-structured interview guide that was flexible and which gave the researcher an opportunity to probe further. Data was analyzed in accordance with the objectives of the study using content analysis method.

Findings from the study indicate that various best practice principles were applied in strategy implementation at KenGen such as measuring the attainment of targets using the balanced scorecard and monitoring the implementation process by the Transformation Monitoring Office (TMO). The findings showed that these practices did support the implementation of the business plan (strategy). The results revealed the challenges of strategy implementation at KenGen as well as measures to overcome the challenges. The challenges were found to be unique to that industry

environment, a fact that fitted to the contextual argument. It was found that KenGen was playing a proactive role in addressing the existing implementation challenges.

It is recommended that KenGen should continue driving strategy implementation through the bi-weekly TMO meetings. The TMO must also place ongoing emphasis on communication that is timely, broad based and effective. Performance management needs to be further embedded and rolled out across KenGen. All employees need to be stakeholders in the future direction of the organization. Their daily performance and activities should be measured along the specific milestones and core values identified by the business plan. In addition, KenGen should finalize the unfinished policies around monetary and non-monetary awards and link the performance management system to the strategy that needs to be developed for the company.

There were two limitations of the study. First, some of the responses were likely to be biased due to the fact that the informants who were interviewed were the actual people involved in strategy implementation. This is like asking for a self evaluation. Second, there was a constraint of availability of informants due to engagements such as leave of absence, training, or fieldwork. Some potential informants, being busy top level executives, were not available within the time frame of the research work.

Further research is suggested to survey strategy implementation across several power generating firms to identify the aggregate position in the power industry. A study could be conducted to investigate how performance management in KenGen can be improved to support strategy implementation process. A future study should also be conducted to identify how KenGen was transformed from a “Good” organization to a “Great” organization.

CHAPTER ONE: INTRODUCTION

1.1 Background

For any company today, strategy provides or should provide that overall trip plan against which management can true up in difficult times. In reality there is a very weak relationship between strategy formulation and strategy implementation. Not all strategies that are effectively formulated are effectively implemented. Companies large and small worldwide spend billions of dollars each year on strategy formulation. It is easy to do an effective job of formulating strategy but difficult to equally do an effective job of implementing it. Presumably, the well-crafted strategy is lost in the press of day-to-day tactical concerns or is left to languish in a report on the CEO's bookshelf. Very few people would deny that, in today's fast-moving fast-changing business world, strategy, with its long-range perspective, is critical. Thompson et al. (2005) suggest that good strategy plus good strategy implementation give rise to good management. Ten schools of strategy formation (Mintzberg et al., 1998) indicate that strategy implementation has been given little attention in spite of its importance in business success.

Why is it seemingly so challenging to implement strategy? The answer, I believe, lies in the way the nature of business has changed in the past thirty years. For the first three quarters of the 20th century, strategy was not seen as difficult to formulate or difficult to implement. Early 1980s saw the beginning of one of the most remarkable shifts in the history of business, the shift from value based in tangible assets to value based in intangible assets like leadership. This could be said to be a shift to a world where value is based in service, in selling solutions rather than in objects or hard assets. But why would this shift have had such an effect on strategy implementation? The answer is deceptively simple. The rules of management have changed. Management of a company whose value creating mechanisms are based largely on intangibles is a whole different ballgame than when those mechanisms are based on tangible assets. Just as tangible assets had to be integrated with the company's overall strategy, intangible assets must be integrated as well. In today's business world, strategy implementation is, for example, inseparable from effective leadership and communication within the company. Work on these intangibles is a strategic investment equally as important as new equipment, buildings, or mergers and acquisitions.

1.1.1 Strategy Implementation

Strategic management is the set of decisions and actions used to formulate and implement strategies that provides a competitively superior fit between the organization and its environment so as to achieve organizational goals (Prescott, 1986). Managers ask questions such as, what changes and trends are occurring in the competitive environment? Who are our customers? What products or services should we offer? How can we offer those products and services most efficiently? Answers to these questions help managers make choices about how to position their organization in the environment with respect to rival companies (Markides, 1997).

The overall strategic management process begins when executives evaluate their current position with respect to mission, goals and strategies. They then scan the organization's internal and external environments and identify strategic factors that may require change. Internal and external events may indicate a need to redefine the mission or goals or to formulate a new strategy at either the corporate business or functional level.

Strategy formulation includes the planning and decision making that lead to the establishment of the firm's goals and the development of a specific strategic plan (Leontiades, 1982). Strategy formulation may include assessing the external environment and internal problems and integrating the results into goals and strategy. This is in contrast to strategy implementation, which is the use of managerial and organizational tools to direct resources towards accomplishing strategic results (Hrebiniak, 1984). Strategy implementation is the administration and execution of the strategy plan. Managers may use persuasion, new equipment, changes in the organization structure, or a reward system to ensure that employees and resources are used to make the formulated strategy a reality (Daft, 2000)

Businesses vary in the processes they use to formulate and direct their strategic management activities. Small businesses that rely on the strategy formulation skills and limited time of an entrepreneur typically exhibit more basic planning concerns than those of larger firms in their industries. Understandably, firms with multiple products, markets or technologies tend to use more complex strategic management systems. However, despite differences in detail and the

degree of formalization, the basic components of the models used to analyze strategic management operations are very similar (Stevenson, 1976).

The final step in the strategic management process is implementation which is how strategy is put into action. Some argue that strategy implementation is the most difficult and important part of strategic management (Bourgeois et al, 1984). No matter how creative the formulated strategy is, the organization can not benefit if it is incorrectly implemented. In today's turbulent and competitive environment, there is an increasing recognition of the need for more dynamic approaches to formulating as well as implementing strategies. Strategy is not a static, analytical process but it requires vision, intuition and employee participation (Feurer et al, 1995). Strategy implementation involves using several tools, that is, parts of the firm that can be adjusted to put strategy into action. Once a new strategy is selected, it is implemented through changes in leadership, structure, information and control systems and human resources (Galbraith and Kazanjian, 1986).

Annual objectives, functional strategies and specific policies provide important means of communicating what must be done to implement the firm's overall strategy. By translating long-term intentions into short-term guides to action, they make that strategy operational but the overall strategy must also be institutionalized, that is, it must permeate the day-to-day life of the company if it is to be effectively implemented (Hitt et al, 1984).

Strategy researchers, writers and practitioners largely agree that every strategy context is unique (Wit and Meyer, 2001). Moreover they are almost unanimous that it is usually wise for strategists to adapt the strategy process and strategy content to the specific circumstances prevalent in the strategy context. However, disagreement arises as soon as the discussion turns to the actual level of influence that the strategy context has. Some people argue or assume that the strategy context fully determines the strategy process and the strategy content. These determinists believe that strategists do not really have much liberty to make their choices. Rather, process and content are largely the result of circumstances that strategists do not control. On the other hand, people with a voluntarism perspective believe that strategists are not driven by context but have a large measure of freedom to set their own course of action.

According to Ansoff and Mc Donnell (1990), one source of difficulty in the strategy process comes from the fact that in most organizations the pre- strategy decision making processes are heavily political in nature. Strategy introduces elements of rationality which are disruptive to the historical culture of the firm. A natural organizational reaction is to fight against the disruption of the historical culture and power structure, rather than confront the challenges posed by the environment. Another difficulty is that implementation of new strategies triggers conflicts between previous profit- making activities and the new innovative activities. Many organizations typically do not have the capability, the capacity or the motivational systems to think and act strategically. Also organizations generally lack information about themselves and their environment that is needed for effective strategic planning, they do not have the managerial talents capable of formulating and implementing strategy (Ansoff and McDonnell, 1990).

It is evident from existing literature that a number of studies have been carried out in the area of strategic management in Kenya. Aosa (1992) carried out an empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies. The study investigated strategic management practices in Kenya. He suggested that research could be extended to cover other sectors of the economy. He argued that a study with a narrower focus would achieve greater depth thereby providing further insights into the strategic management process in Kenya. Accordingly, he suggested that studies could focus on any of a variety of topics such as management training, managerial involvement in strategy, problems in strategy development and implementation.

1.1.2 The Power Industry

The regional power industry consists of the Eastern Africa electric power systems which are Kenya, Uganda, Tanzania, Burundi, Djibouti, Eritrea, Ethiopia, Rwanda, Somalia and Sudan. Egypt is also sometimes categorised as part of the Eastern African region. The production, delivery and supply of electric power in Eastern Africa region is the responsibility of several national power authorities in the respective countries. The region is endowed with enormous natural resources such as hydro, geothermal, wind, natural gas and coal. These resources have been identified and catalogued in individual country master plan studies and more recently in the regional studies by the East African Community and the Nile Basin Initiative. However, apart from the studies, little progress has been made towards development of the resources, hence the electrification access rates in Eastern Africa still remain very low by global standards.

The key industry players are Ministry of Energy (MOE), Electricity Regulatory Commission (ERC), KenGen, Independent Power Producers (IPPs) and Kenya Power and Lighting Company (KPLC). The MOE is in charge of making and articulating energy policies to create an enabling environment for efficient operation and growth of the sector, preparation of the least cost development program for the power sector; overseeing implementation of the rural electrification program and facilitating the mobilisation of resources for the sector investment. The ERC is responsible for regulation of the power sub-sector. Established in 1998 under the Electric Power Act of 1997, the ERC has the mandate to set, review and adjust retail tariffs, approve power purchase agreements, promote competition in the sub-sector, resolve consumer complaints and enforce environmental, health, safety regulations. KenGen which is the leading electric power producer in Kenya accounting for over 80% of electric power consumed in the Country, enabling it to have the biggest market share. The IPPs account for 20% of electric power consumed in the Country. They comprise of Iberafrica, Or Power, Tsavo and Rabai companies. KPLC is a listed company on the Nairobi Stock Exchange, governed by the State Corporations Act and is responsible for all electricity distribution and transmission in Kenya.

In the industry environment there are a number of entry barriers. Investment in the power industry in Kenya has been slow even with the liberalization of the industry. This is mainly

because of the large investment costs required for any generation station, regardless of the mode of generation. Control of costs during construction and operation also becomes a major challenge. Availability of large capital outlays required for investments is one of the challenges facing the expansion plan. The high costs of commercial funds are quite prohibitive and concessionary funding can cause costly project implementation delays due to the conditionality involved.

Given the long-term nature of electricity investments, investment decisions are made on the basis of long-term fundamentals rather than looking at short-term returns. The level of risk anticipated by an investor in a power plant is reflected in the level of return expected on that investment. The most fundamental change affecting the value of investments in liberalised markets is the inherent uncertainty about electricity prices in electricity markets. The uncertain future level of prices from investment in generation creates a risk for the investor. In Kenya, the return on investment is usually uncertain for prospective investors because of the tariff specificity that comes with every generation contract. Lack of standardized tariffs for different investment modes raises a lot of return uncertainties.

Seasonality is another challenge in the industry environment. Kenya suffers continued power supply inconsistencies anytime there is prolonged drought that reduces water levels in the KenGen hydro dams leading to low production and high power tariffs. This has a great bearing on the national power supply as KenGen has 80% market share of which 70% is hydro based. This calls for greater diversification on the generation modes in future investment in the power sub-sector. KenGen operates 154.2MW of thermal plants, making the company a large consumer of fuel. World oil prices have been volatile for a long time, with no clear indication of stability in the near future. Thus in future when tariffs are streamlined and a fuel tariff set, volatility may dispense a lot of business risks from the fuel costs volatility.

The level of competition in the industry has been on the increase. In 1996, the GoK officially liberalized power generation as part of the power sector reform efforts. The first IPP developments occurred on the heels of the 1996 legislation opening up the generation sector to

private investment. There was an increase in power demand, hydrological conditions were becoming unfavourable and public funds to build power plants were insufficient.

1.1.3 Kenya Electricity Generating Company (KenGen)

Kenya Electricity Generating Company (KenGen) is a limited liability company, registered under the Company Act. The Company was incorporated in 1954 as Kenya Power Company Limited (KPC) renamed KenGen in 1997 following implementation of the reforms in the energy sector. The core business is to develop, manage and operate power generation plants to supply electric power to the Kenyan market, and in future, to supply power to the Eastern Africa region. KenGen is a Public Listed Company, quoted on the Nairobi Stock Exchange with the ownership structure being 30% private and 70% Government.

KenGen's vision is to be the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region. The mission is to efficiently generate competitively priced electrical energy using state of the art technology, skilled and motivated human resource to ensure financial success. They shall achieve market leadership by undertaking least cost, environmentally friendly, capacity expansion. The core values that guide the implementation of these strategic statements, govern behaviour and decision making in the company are integrity, professionalism, team spirit, and safety culture.

KenGen's strengths include a large fixed asset base, experience in the industry (over 50 years), skilled manpower, competitive price, ISO certification of company processes, and diversified modes of power generation. The weaknesses include inadequate financial base, aging of generation plants making them expensive to run, low production capability during periods of adverse hydrology, and regulated tariffs. The opportunities include a large market base, large untapped renewable energy resources, prospect of getting cheaper fuel (coal) and Liquefied Natural Gas (LGN), opportunities to invest offshore, access to regional markets such as links with the Southern Africa Power Pool, capacity to offer consultancy services, and the opportunity for KenGen to benefit from carbon trading through the Clean Development Mechanism (CDM). The threats include degradation of water catchments areas, excess demand on corporate social

responsibility, drought that affects the hydropower production, legal set up that restricts KenGen to one customer, the HIV/AIDS pandemic and its impact on staff, possible delay of implementing projects, and competition from the Independent Power Producers.

1.2 Statement of the problem

According to Kiruthi (2001), all organizations must grapple with the challenges of the changing environment in which they operate. Various organizations develop and formulate their strategies variously. Whatever the process, each organization ends up with what is called a strategy. Mintzberg and Quinn (1991) stated that 90% of well formulated strategies fail at implementation stage while David (1997) claimed that only 10% of formulated strategies are successfully implemented. The reasons advanced for the success or failure of the strategies revolve around the fit between the strategy and the structure, allocation of resources, culture, leadership, rewards and nature of the strategy.

Strategic analysis and choice are of little value to an organization unless the strategies are capable of being implemented (Johnson and Scholes, 2002). Strategic change does not take place simply because it is considered to be desirable, but it takes place if it can be made to work and put into effect by members of the organization. According to Daft (2000), one major shortcoming of strategy implementation in organizations is a failure to translate statements of strategic purpose, such as the gaining market share, into an identification of those factors which are critical to achieving these objectives and the resources and competences which ensures success. Identifying the appropriate resources and competences to support strategy implementation is important but it does not result in successful implementation unless the organization is also able to allocate resources and control performance in line with strategy (Daft, 2000).

In order to survive in the competitive environment and fulfil its vision, KenGen has adopted a twin business strategy of least cost capacity expansion and lowest total production cost built on the core themes of maximising shareholders value, operational excellence, customer loyalty, and employee commitment. These strategies are based on the need to provide affordable and reliable

electric power to the Kenyan people while at the same time maximizing shareholders wealth. To ensure security of electric power supply, the company carries out an aggressive, efficient and diversified least cost capacity expansion.

KenGen's strategy implementation process has been an integrated approach encompassing improving existing plants, production expansion, efficiency enhancement and risk assessment and management. KenGen is continuously searching for process innovations and improvements that lowers the operating costs and enhance reliability. The company has been keeping the operational costs lower than the competitors through its experience in the industry, highly efficient operating processes, economies of scale, and possession of key competencies and skills.

Strategic management has been widely researched by management scholars in Kenya. Some of the studies that have been done on the component of strategy implementation include Aosa (1992), Koske (2003), Muthuiya (2004) and Machuki (2005). Also, some studies in strategic management in Kenya have dealt with organizations with regard to their structure. Koyio (1999) studied the structure-strategy relationship in Kenyan enterprises without regard to a specific structure and how such structure influences strategy implementation among other internal organizational variables.

Strategy implementation in organizations in the power industry has in general not received much attention and hence significant gaps exist in our knowledge. This study aims at bridging these gaps in view of the fact that strategic implementation is a key component of strategic management in such organizations. Increased research in this area to unveil problems associated with implementation of organizational strategies is important. This study is designed to fill this gap by emphasizing on the implementation of strategy within Kenya Electricity Generating Company Ltd (KenGen). It is a study aimed at identifying the factors that contribute to effective strategy implementation and its challenges. More specifically, the study seeks to answer the following questions, "What strategy implementation practices are adopted by KenGen?" and "What challenges does KenGen face in implementing its strategies?".

1.3 Objectives of the study

The study had two objectives,

- a) To establish the strategy implementation practices adopted by KenGen
- b) To establish the challenges encountered by KenGen in implementing its strategies

1.4 Value of the Study

The results of this study will assist Ken Gen to know the challenges encountered in implementing their strategies and give a better perspective of how they can implement their strategies successfully. The company can invest more funds in trying to overcome the challenges with an assurance of good returns on investment. The findings of this study will contribute to building the existing body of knowledge in strategic management and specifically on strategy implementation. The findings will also provide information to scholars and researchers who might need to research on strategy implementation in future.

The report of this study will be an important source of information to stakeholders, donors, members of the society and other parties who have a stake in the welfare of KenGen. It will also be a valuable platform for managers in trying to bridge the apparent gap between strategy formulation and implementation. The report will also provide suggestions to other organizations in the power industry on how to improve on professional practices in strategy implementation. KenGen being a state corporation, this report will be useful to the policy makers in making decisions on the management of the company.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Johnson and Scholes (2004) define strategy as the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations. Ansoff (1990) defined strategy as a set of decisions making rules for guidance of organizational behaviour. Mintzberg (1991) also described strategy as a plan, ploy, pattern, position and perspective. Thompson and Strickland (2003a) defined strategy as the game plan that management is using to stake out market position, conduct its operation, attract and please customers then compete successfully in order to achieve organizational objectives.

Strategies may be said to be types of plans, which have certain objectives to be achieved. It may include methods and procedures of doing or performing activities to reach the desired goals. According to Witt and Meyer (2001) strategy embraces all the critical activities of a firm, it provides sense of unity, direction, purpose and facilitating necessary changes induced by environment. Witt and Meyer (2001) recognize strategy as an activity that must take place within the limits of an enterprise financial and other resources. Strategies exist at the level of corporate strategy, business unit strategy or operational strategy.

In practice, a thorough strategic management process has three main components which are strategic analysis, strategic choice and strategy implementation. Strategic analysis is about establishing the strength of businesses' position and understanding the important external factors that may influence that position. The process of strategic analysis can be assisted by a number of tools that include PESTLE analysis, five forces analysis, competitor analysis, market segmentation, critical success factor analysis, and SWOT analysis. The strategic choice process involves understanding the nature of stakeholder expectations, identifying strategic options, and then evaluating and selecting strategic options. Strategy Implementation takes place after strategy has been analysed and selected, translating it into organisational action.

The Strategic management process begins when executives evaluate their current position with respect to mission, goals, and strategies (Daft, 2000). They then scan the organization's internal and external environments and identify strategic factors that may require change. Internal and external events may indicate a need to redefine the mission or goals or to formulate a new strategy at either the corporate, business or functional level. Situation analysis typically includes a search for strengths, weaknesses, opportunities, and threats (SWOT) that affect organizational performance. Situation analysis is important to all companies but is crucial to those considering globalization and parenting opportunities because of the diverse environments in which they operate (Daft, 2000).

Corporate strategy is an organizational process, in many ways inseparable from the structure, behaviour and culture of the organization in which it takes place (Wit and Meyer, 2001). Nevertheless, we may abstract from the process two important aspects, interrelated in real life but separable for the purposes of analysis. The first of these is formulation, the second is implementation. Deciding what strategy should be may be approached as a rational undertaking, even if, as in life, emotional attachments may complicate choice among future alternatives.

The principles sub activities of strategy formulation as a logical activity include identifying opportunities and threats in the organization's environment and attaching some estimate or risk to the discernible alternatives. Before a choice can be made, the organizations strengths and weaknesses should be appraised together with the resources on hand and available. Its actual or potential capacity to take advantage of perceived market needs or to cope with attendant risks should be estimated as objectivity as possible.

The process described thus far assumes that strategists are analytically objective in estimating the relative capacity of their company and the opportunity they see or anticipate in developing markets. The extent to which to undertake low or high risk presumably depends on their profit objectives. The higher they set the latter, the more willing they must be to assume a correspondingly high risk that the market opportunity they see will not develop or that the corporate competence required to excel competition is not forthcoming (Wit and Meyer, 2001).

2.2 Strategy Implementation

Most discussions of strategy focus on how to formulate strategy and little attention has been given to how to implement those strategies. However, people have recognized that problems with implementation in many companies have resulted in failed strategies. Strategy realization elements include such factors as motivational leadership which concentrates on achieving performance through personal growth, value based leadership that recognizes human dynamics, turning strategy into action which entails a phased approach, linking identified performance factors with strategic initiatives and projects designed to develop and optimize departmental and individual activities, and performance management involving the construction of organizational processes and capabilities necessary to achieve performance through people delivering results (Thompson and Strickland, 2003b). Each implementation situation occurs in a different context, affected by differing factors such as business practices and competitive situations, work environments and cultures, policies, compensation incentives, mixes of personalities and firm histories. The approach to implementation should therefore be customized.

Implementing strategy is tougher and more time-consuming than strategy-making due to the variety of managerial activities required, people management skills required, perseverance and wave-making it takes to launch a variety of initiatives and the number of bedevilling issues to be worked through. Implementing a new strategy takes adept managerial leadership to overcome pockets of doubt and disagreement, build consensus for how to proceed, secure commitment and cooperation of concerned parties, get all implementation pieces in place and overcome resistance to change.

The goal of strategy implementation is to unite total organization behind strategy, see that activities are done in a manner that tightly matches requirements for first-rate strategy implementation, generate such a determined commitment at all organizational levels that an enthusiastic crusade emerges to carry out strategy and to create a series of strategy-supportive “fits”. The principal tasks of strategy implementation are building a capable organization, allocating ample resources to strategy-critical activities, establishing strategy supportive policies and procedures, instituting best practices and mechanisms for continuous improvement.

2.3 Factors that contribute to successful Strategy Implementation

2.3.1 Human Resources

Perhaps the most important resource in an organization is its people (Johnson and Scholes, 2004). The roles people play, how they interact through formal and informal processes and relationships that they build are crucial to the success of strategy. The organization's human resources are its employees. The human resource function recruits, selects, trains, transfers, promote and lay off employees to achieve strategic goals. Training employees, for example, can help them understand the purpose and importance of a new strategy or help them develop the necessary specific skills and behaviours. Sometimes employees may have to let go and be replaced.

Translating a strategic vision into effective action is not an easy task. Strategy formulation does not automatically lead to strategy implementation (Mockler, 1993). People often resist new thinking in organizations and do not always react rationally to change. Swartz (1985) argues that the challenge to management is that it might need to recruit, select, train, discipline, transfer, promote and possibly even lay off employees to achieve the organizations strategic objectives. He further argues that since more and more organizations are using teams, the ability to build and manage effective teams is an important part of implementing strategies. Noting that management leadership is a necessary ingredient in a successful strategy, so too, is a motivated group of middle and lower level managers who carry out the specific plans of senior management.

The first step in strategy implementation is to put the right people in the right places to ensure that the strategy has the best chance of success. One should try to match the requirements of the strategy and the characteristics of the individual managers e.g. if your business is to generate cash with no consideration for growth, you do not have to put a high-powered marketing person in charge. A major concern of top management in implementing strategy is that the right managers be in the right positions for the new strategy. The most important characteristics

include ability and education, previous track record and experience, values, personality, temperament and styles of managing.

2.3.2 Structure

In addition to choosing the right people to implement strategy, implementation involves the business of adopting the right organizational structure that matches the strategy. Structure is the ideological glue that holds the organization together, enhancing their ability to pursue strategy on one hand, but sometimes impeding strategy on the other (Mintzberg, 1991). Strategy and structure exist independently each influencing the other. A new strategy in any organization would without exception call for structural changes. Creating that structure and the attendant behavioural changes is a formidable challenge.

Organization structure and control shape the way people behave and determine how they act in the organizational setting (Hill and Jones, 2001). The organizational structure and control systems co-ordinates and motivates employee behaviour. The value creation activities of organization members are meaningless unless some type of structure is used to assign people to tasks and connect the activities of different people and functions. For example, to pursue a cost leadership strategy a company must design a structure that facilitates close co-ordination between the activities of Manufacturing and Research and Development to ensure that innovative products are produced both reliably and cost effectively.

2.3.3 Leadership

Leadership is an essential element of effective strategy implementation. Recognition must be given to the role of leadership in organizations. Leadership is the force that causes change. It is the single most visible factor that distinguishes change efforts that succeed from those that fail. It encompasses the qualities required in the entire strategic management process. Four areas of leadership behaviour are the determination of objectives, the manipulation of means, the control of the instrumentality of action and the stimulation of co-ordinated action.

Different leadership styles can be appropriate for different strategy implementation situations (Mockler, 1993). Determining which leadership style or combination of styles might be most effective in a situation depend on situation factors e.g. nature of company, industry or competitive market. Leadership involves the role of the CEO and key or senior managers in the organization. The CEO is accountable for a strategy's success. He is a symbol of the new strategy. The CEO's actions and the perceived seriousness of his or her commitments to the chosen strategy, particularly if that strategy represents a major change, significantly influence the intensity of subordinate managers' commitment to implementation (Pearce and Robinson, 2000).

Thompson and Strickland (2003a) summarizes that the role of a strategic leader includes fostering a strategy supportive climate and culture, keeping the internal organization responsive and innovative, empowering champions, dealing with company politics and leading the process of making corrective adjustments.

2.3.4 Culture

Corporate culture refers to the shared values, beliefs, expectations and norms within an organization. It provides a framework for action, and so can be an important factor in furthering the strategic thinking needed for effective implementation (Mockler, 1993). Managing strategy-culture relationship requires sensitivity to the interaction between the changes necessary to implement the new strategy and the compatibility or "fit" between those changes and the firm's culture (Pearce and Robinson, 2000). Creating an organizational culture, which is fully harmonized with the strategic plan, offers a strong challenge to the strategy implementer's administrative leadership abilities. Anything so fundamental as implementing the chosen strategic plan involves moving the whole organization culture into alignment with strategy (Thompson and Strickland, 2003b).

Every organization is a unique culture. It has its own special history of how it has been managed, its own set ways of approaching problems and conducting activities, its own mix of managerial personalities and styles, its own established patterns of "how we do things around

here”, its own experiences of how changes have been instituted (Thompson and Strickland, 2003a).

The basis of corporate culture is the philosophy, the attitudes, and the beliefs and shared values upon and around which the organization operates. An organizations culture is an important contributor or obstacle to successful strategy implementation. Building a strategy supportive culture hinges directly on the abilities and actions of the strategy manager through instilling values through actions and deeds. The behaviour (culture) of individuals ultimately determines the success or failure of organizational endeavours, and the top management that is concerned with strategy and its implementation must realize this. Every aspect of change require that the behaviour of the individuals within the organization must also change to align to the new strategy and managing this change is a key factor to the success of the strategic plan.

2.3.5 Policies and Procedures

Successful strategy implementation requires strategy supportive policies and procedures. Changes in strategy generally call for some changes in how internal activities are conducted and administered, asking people to alter actions and practices always upsets the internal order of things somewhat and pockets of resistance do emerge. Policies define and clarify enterprise-wide strategies. The revised policies promulgate standard operating procedures that facilitate strategy implementation and counteract any tendencies for parts of the organization to resist or reject the chosen strategy (Thompson and Strickland, 2003b).

Policies are general statements or understandings that guide managers’ thinking in decision making. They ensure that decisions fall within certain boundaries, the essence of which policy is discretion while strategy is about direction in which human and material resources are applied to achieve the set goals. Thompson and Strickland (2003b) argue that strategy implementation calls for changes in how internal activities are conducted. Prescribing policies and procedures provides top-down guidance on how things are done. It helps enforce needed consistency in how strategy critical activities are performed in geographically scattered operating units.

Policies aid in this process by providing tools to guide and control relationships in the workplace, they constitute the written law of the rules of engagement and demonstrate the organizations commitment and seriousness towards certain issues that affect staff in the workplace. For successful strategy implementation, an organization has to find a fit between its structure, leadership, culture, policies and procedures. If these key components for strategy are working at cross purposes then the success of strategy implementation is in jeopardy.

2.3.6 Reward and Control Systems

This include reward systems, pay incentives, budgets for allocating resources, and the organizations rules, policies and procedures. Changes in these systems represent major tools for putting strategy into action. For example, resources can be reassigned from research and development to marketing if a new strategy requires increased advertising but no product innovations. Managers and employees must be rewarded for adhering to the new strategy and making it a success (Gupta and Govindarajan, 1984).

Pearce and Robinson (2000) argue that the implementation of strategy ultimately depends on individual organizational members, particularly key managers, and motivating and rewarding good performance by individuals and organizational units are key ingredients in effective strategy. A firm's reward system should align the actions and objectives of individuals and units with the objectives and needs of the firm's strategy. They argue that the time horizon on which rewards and sanctions are based is a major consideration in linking them to strategically important activities and results. The challenge for organizations is to integrate long-term and short-term reward systems so that the latter must be based on the assessment and control of both the short-run and long-run (strategic) contributions of key managers. Short-term, and long-term performance considerations must be integrated to ensure performance consistent with a firm's strategy.

Aosa (1992) carried out an empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya. He noted that companies which maintained links between strategy and budgets were significantly more

successful in implementing strategy as opposed to those not maintaining such links. The budget is used as a tool for control and resource allocation. Resources are best allocated according to the key issues and priorities identified in a company's strategy hence the importance of specifying strategy before budgets are developed. On the other hand, managerial involvement, management training and use of various investment evaluation criteria had mixed effect on strategy implementation.

Differences as well as similarities existed between the results of Aosa (1992) and those generated in other countries (developing and developed). Organizational factors and environmental factors caused these variations. The study found out that companies which maintained various links between strategy development and implementation were more successful in implementing as opposed to those not maintaining such links. Aosa (1992) suggested that research on strategy could be extended to cover other sectors of the economy. This way, a comprehensive understanding of strategy process in organizations in Kenya would develop.

2.3.7 Communication

Communication is the flow of information within the organization. It helps ensure that goals are understood, instructions are disseminated and feedbacks from various units and personnel received. Oral communication is particularly important in implementing enterprise-wide strategies and carrying out the planning effort. Oral communication, used in conjunction with other forms of communication, affects strategy implementation directly through its impact on the individuals involved in implementation. It encourages participation in strategy formulation, refinement and implementation, as well as enabling direct communication of corporate strategies once formulated. By indicating upper management's involvement and belief in the strategic vision, it can create enthusiasm and motivate personnel (Mockler, 1993).

The best practices in corporate communications are a close alignment of corporate communication function and the implementation of strategy, the Chief Executive Officer as the best reporting structure for the corporate communication function, a focus on corporate brand and reputation, and the use of information technology to enhance communication. A study done by

Ikavalko and Aaltonen (2002) on middle level managers role in strategy implementation came up with the conclusion that one major reason for failure in strategy implementation is lack of communication from the top management. They advocated for the involvement of the strategic (implementing) managers in the planning process to ensure a greater degree of success in strategy implementation.

2.3.8 McKinsey 7s Framework

McKinsey Company introduced the 7s framework for strategy in the late 1970s. The framework maps seven interrelated factors that influence an organization's ability to implement strategies. Companies which are excellently managed have seven elements in common which are strategy, structure and systems (the three "hardware" elements of success) and style, skills, staffing and shared values (the four "software" elements of success).

Structure is defined as the skeleton of the organisation or the organisational chart. McKinsey describe strategy as the plan or course of action in allocating resources to achieve identified goals over time. The systems are the routine processes and procedures followed within the organisation. Staff are described in terms of personnel categories within the organisation, whereas the skills variable refers to the capabilities of the staff within the organisation as a whole. The way in which key managers behave in achieving organisational goals is considered to be the style variable. This variable is thought to encompass the cultural style of the organisation. The shared values variable refers to the significant meanings or guiding concepts that organisational members share (Peters and Waterman, 1982). The underlying concept of the model is that all seven of these variables must "fit" with one another in order for strategy to be successfully implemented.

2.4 Challenges of Strategy Implementation

A formulated strategy can only generate an added value for the organization if it is successfully implemented. Implementation of strategies has always been known to face various challenges. Hsieh and Yik (2005) asserted that many companies find themselves stuck at the point of strategy implementation or execution. Having identified the opportunities within their reach, they watch as the results fall short of their aspirations. Organizational characteristics that act as challenges to strategy implementation include structure, culture, leadership, policies, reward, ownership of the strategy among others (Burnes, 2004). Turning theory into practice, making things happen, translating strategic plans into real business results are some of the management challenges greatest faced by organizations of all sizes.

Poor leadership can hinder the successful implementation of strategy. Even the best strategy can fail if a corporation does not have a cadre of leaders with the right capabilities at the right levels of the organization. Fewer companies recognize the leadership capacity that the new strategies require, let alone treat leadership as the starting point of strategy. This oversight condemns many such endeavours to disappointment. Major change efforts have to be vision driven and led from the top. Thompson and Strickland (2003b) summarize some of the roles of a leader in strategy implementation as culture building, resource acquisition and allocation, capabilities building, coaching, crisis solving, motivating, and negotiating. Leadership which does not portray some of these characteristics is bound to affect the way strategy is executed. Leadership inevitably requires using power to influence the thoughts and actions of other people and develop fresh approaches and open new actions (Rowe et al, 1994). Poor leadership abuses the use of power and hence fails to influence the desired characteristics for implementing change.

Financial and other resources should be made available to employees to facilitate the implementation process. The conflict between strategic plans and budgets is the most commonly perceived area of dissonance (Judson, 1996). In many firms, strategic planning is so divorced from budgeting such that budget preparation precedes strategy formulation. This leads to failure to allocate adequate financial resources for strategy implementation. Thompson and Strickland (2003a) add that organizational units need sufficient budgets and resources to carry out their

parts of the strategy process effectively and efficiently. Koske (2003) argues that here are mainly four types of resources that can be used to achieve the desired objectives; financial, physical, human and technological resources. The resource allocation is a management activity that allows for strategy implementation.

Insufficient human resources skills can pose a challenge to strategy implementation. There must be a proper “fit” between the nature of strategy and the individual who has the responsibility for its implementation (Boseman and Phatak, 1989). A manager who has been successful in managing a high growth “star” may not possess the right skills to manage it when it turns into a “cash cow”. It is important to have a mix of backgrounds, experiences, know-how, values, beliefs, management styles and personalities to reinforce and contribute to successful strategy implementation (Thompson and Strickland, 2003b). A new strategy may introduce roles that require specialized skills, which may not be readily available both internally and externally. It may take a length of time to fill in the void created by such skill gaps.

An organizational structure conveys how work is divided and assigned to people, and how the activities of the people performing their duties are co-ordinated in the enterprise (Boseman and Phatak, 1989). The structures define the levels and roles in an organization and can facilitate or constrain how processes and relations work. The roles, responsibilities and lines of reporting in organizations are an important influence on the success or failure of strategy. Failure to address issues of structure can at minimum, constrain strategy implementation and performance (Johnson and Scholes, 2004).

Organization structures vary from simple hierarchies to complex divisional arrangements (Rowe et al., 1994). These structures range from simple to functional to multidivisional, and each of them has got advantages and disadvantages that accompany the structure. This implies that a change in strategy requires that management review its structure to suit the strategy being adopted. Other than matching the structure to the strategy, managers are also faced with the challenge of matching people to the jobs. The new strategy may result in a structure that may bring about new jobs that require specialized skills. These skills may not be available within the

organization and there could be a tendency to put people in the wrong jobs where they lack the skills to perform the jobs.

The corporate culture is the sum total of how people in an organization think and act as members of the organization (Boseman and Phatak, 1989). The corporate culture of a firm can be a major strength if it is consistent with the organization strategy. However, managers experience difficulty implementing a strategy that is at odd with the corporate culture (Boseman and Phatak, 1989). Thompson and Strickland (2003a) add that conflict between culture and strategy sends mixed signals to organization members and forces an undesirable choice where organization members either choose to be loyal to the culture or to follow the new strategy.

Poor management of the change process can lead to failed strategies. Implementing strategy involves change, which in turn involves uncertainty and risk (Thompson, 1993). This requires that managers be motivated to make changes. There is resistance to the proposed changes and if this resistance is not managed properly, it can lead to the collapse of the documented strategy. What underlies the breakdown of many long-term initiatives is the tendency of managers to defend the performance of their own departments instead of debating and helping to shape action across the whole organization (Dobbs, Leslie and Mendonca, 2005).

Most of the strategic and operational initiatives fall short of expectations because change-resistant employees drag their feet in executing their part of the strategy, middle level managers are unable to drive the changes and the senior managers fail to provide support for the initiatives. Strategy realization does not happen without the people being an enthusiastic part of the effort. Every single person must know what they are doing, why they are doing it, and above all, must be fully committed to doing it. Incompatible management systems also affect strategy implementation. Management systems such as compensation schemes, management development, and communication systems which operate within the structural framework may not be ideal for the changes which are taking place in an organization and may be difficult to modify continually (Thompson, 1993).

Uncontrollable environmental factors are a great challenge during the implementation of strategy. For a company's strategy to succeed, executives must understand such external factors as the competitive situation in their industry, the regulatory environment and the strengths and weaknesses of rivals (Aspesi and Vardham, 1999). Turbulent economic conditions have concentrated the collective minds of many executives on pure survival (Dobbs, Leslie and Mendonca, 2005). Some government regulations like price controls can have a dramatic impact on corporate profits. Structural transformations brought about by liberalization that has created other sources and markets for alternative energy can also impact on corporate profits (Beardsley, Bugrov and Enriquez, 2005).

Judson (1996) lists other implementation problems as poor preparation of line managers, wrong definition of the business, excessive focus on numbers (financial, headcount), imbalance between external and internal considerations and insufficient effective participation across functions. According to Koske (2003) and Machuki (2005) other challenges to strategy implementation include resistance to change, implementation taking too long than anticipated, unsupportive processes and procedures and unanticipated obstacles during strategy implementation.

Lack of a clear strategy, an overly optimistic strategy, lack of accountability, lack of active deployment of strategy and a static strategy in a dynamic world are five common barriers to strategy implementation. A possible way to overcome barriers is to establish pyramidal model with five levels of strategy implementation. A solid business model, clear rationalized vision, actionable strategies defined implementation plan and process for accountability is an example of such a model. A summary of the above five levels are as follows: "who are we? Where are we going? How are we going to get there? Who must do what by when? Where are we today?"

2.5 The Balanced Scorecard and Strategy Map

The balanced scorecard refers to the recognition that to achieve a comprehensive view of an organization's performance, it needs to be seen from different viewpoints, or perspectives. In the past, organizations only tended to look at financial measures, which are lagging indicators. There are four perspectives in the balance scorecard. The financial perspective contains the financial

results such as profit, return on capital, cash flow, and margins. In non-profit organizations, it describes income from sponsors or taxpayers, cash flow and cost control results. The customer perspective is concerned with time, quality, performance and service, price or rate. The internal (business) perspective involves operations management, customer management, and innovation, social and regulatory processes. Learning and growth perspective includes human, information and organizational capital or capacities (Kaplan & Norton, 2004).

These four perspectives are sufficient to describe any organization's strategy, although variants abound. The order of the perspectives is important. For a public sector or nonprofit organization, the customer perspective belongs at the top, followed by the financial perspective. Apart from this rule, the basic framework of the four perspectives is robust and appropriate for any organization's strategic plan. It is important to recognize that it is the strategic objectives within the strategy map where creativity belongs, not in the basic framework itself.

According to Kaplan and Norton (2004), strategic improvements flow from the bottom up to a final result. So in planning, we begin by looking at a higher perspective to identify what we need. We then see what work needs to be done at the lower perspectives in order to achieve this. This information is encoded in the strategy map. KenGen strategy map shows how value is created among the various processes and links together, the desired productivity and growth outcomes, the customer value proposition which is needed, the outstanding performance in internal processes, and the capabilities required from intangible assets. The arrows of effect are from lower perspectives to higher perspectives, but the arrows of strategic inference (that are not explicitly drawn in the strategy map) are from higher perspectives to lower perspectives. The higher perspectives involve explicit stakeholders, shareholders in the case of the financial perspective and customers in the case of the customer perspective. The lowest perspective, however, has no explicit stakeholders. Improvement in terms of the lower perspectives has a long gestation period but it is the sole way to bring about a lasting and dramatic change in the organization's performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers research design, data collection methods and data analysis methods. The population and sample sections have been omitted because this is a case study. This chapter utilizes theoretical framework, reviewed literature and experience of this author to discuss how the study was done, how results were presented and analyzed to arrive at conclusions and recommendations that might contribute new knowledge to implementation of strategy. The pertinent primary data was collected to meet the objectives of the study.

3.2 Research Design

This study was conducted through a case study design. This was deemed an appropriate design as the study involved an in-depth investigation of the phenomenon of strategy implementation and it challenges with specific emphasis on KenGen. It is a method of study in depth rather than breadth. The case study research method is used continually by researchers in carefully planned and crafted studies of real-life situations, issues, and problems

The case study method deals with the processes that take place and their interrelationship. The objective of the case study method is to locate the factors that account for the behaviour patterns of the given unit as an integrated totality (Kothari, 2002). According to Kothari (2002), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of a study.

Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. Researcher Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when

the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used (Yin, 1984, p. 23). White (2002) suggests that a case study requires a number of methods for its successful accomplishment.

3.3 Data Collection

Primary and secondary data was used in the study. Secondary data was obtained from text books, journals, written papers, unpublished project reports, unpublished PHD reports, internet articles, KenGen's business plan, staff magazines (KenGen News), annual reports and records and KenGen's information management system.

Primary data was collected through personal interview method. The data, which was qualitative in nature, was collected by interviewing six (6) executives who are responsible for strategy implementation. These people were the operations director, regulatory affairs director, business development and strategy director, human resources manager, capital planning and strategy manager and transformation monitoring manager. The data was recorded by taping and writing the responses as provided by the informants.

The data collection instrument was a semi-structured interview guide (see appendix). This instrument proved flexible, provided the interviewer with greater control of the interview situation and gave an opportunity to probe further. Questions were administered and probing done in a semi-structured way. The semi-structured interview is one with predetermined questions with an open-ended format that are asked to all informants in the same manner (York, 1998). In a semi-structured interview, open-ended questions provide the interviewer with greater freedom and less restriction (Kadushin, 1990).

In data collection the researcher must collect and store multiple sources of evidence comprehensively and systematically, in formats that can be referenced and sorted so that converging lines of inquiry and patterns can be uncovered. Researchers carefully observe the object of the case study and identify causal factors associated with the observed phenomenon. Renegotiation of arrangements with the objects of the study or addition of questions to

interviews may be necessary as the study progresses. Case study research is flexible, but when changes are made, they are documented systematically.

Exemplary case studies use field notes and databases to categorize and reference data so that it is readily available for subsequent reinterpretation. Field notes record feelings and intuitive hunches, pose questions, and document the work in progress. They record testimonies, stories, and illustrations which can be used in later reports. They may warn of impending bias because of the detailed exposure of the client to special attention, or give an early signal that a pattern is emerging. They assist in determining whether or not the inquiry needs to be reformulated or redefined based on what is being observed. Field notes are kept separate from the data being collected and stored for analysis.

3.4 Data Analysis

The data after collection was analyzed in accordance with the objectives of the study. The researcher was trying to establish the strategy implementation practices adopted by KenGen as well as the challenges encountered by KenGen in implementing its strategies. The analysis was done by comparing collected data with the theoretical approaches and documentations cited in the literature review. The data obtained from the various management team members was compared against each other in order to get more revelations on the issues under study.

Content analysis technique was used to analyze the data because this study sought to solicit for data that is qualitative in nature. Analysis is about searching for patterns of relationships that exist among data groups. Content analysis is a research method that uses a set of categorization for making valid and replicable inference from data to their context (Rubin and Piele, 1990). Subjecting the collected data to content analysis allows the researcher to learn about underlying attitudes, biases, or repeating themes. By creating matrices of categories, researchers use the quantitative data that has been collected to corroborate and support the qualitative data which is most useful for understanding the rationale or theory underlying relationships.

In case studies the researcher examines raw data using many interpretations in order to find linkages between the research object and the outcomes with reference to the original research questions. Throughout the evaluation and analysis process, the researcher remains open to new opportunities and insights. The case study method provides researchers with opportunities to use data in order to strengthen the research findings and conclusions.

Exemplary case studies deliberately sort the data in many different ways to expose or create new insights and deliberately look for conflicting data to disconfirm the analysis. Researchers categorize, tabulate, and recombine data to address the initial propositions or purpose of the study, and conduct cross-checks of facts and discrepancies in accounts. Focused, short, repeat interviews may be necessary to gather additional data to verify key observations or check a fact. In all cases, the researcher treats the evidence fairly to produce analytic conclusions answering the original "how" and "what" research questions.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents primary data findings, their analysis and interpretation. The study was done by use of an interview guide. The total number of persons interviewed was five, three directors and two managers. The findings are categorized into two main sections namely, practices in driving implementation and challenges of strategy implementation.

4.2 Research Findings

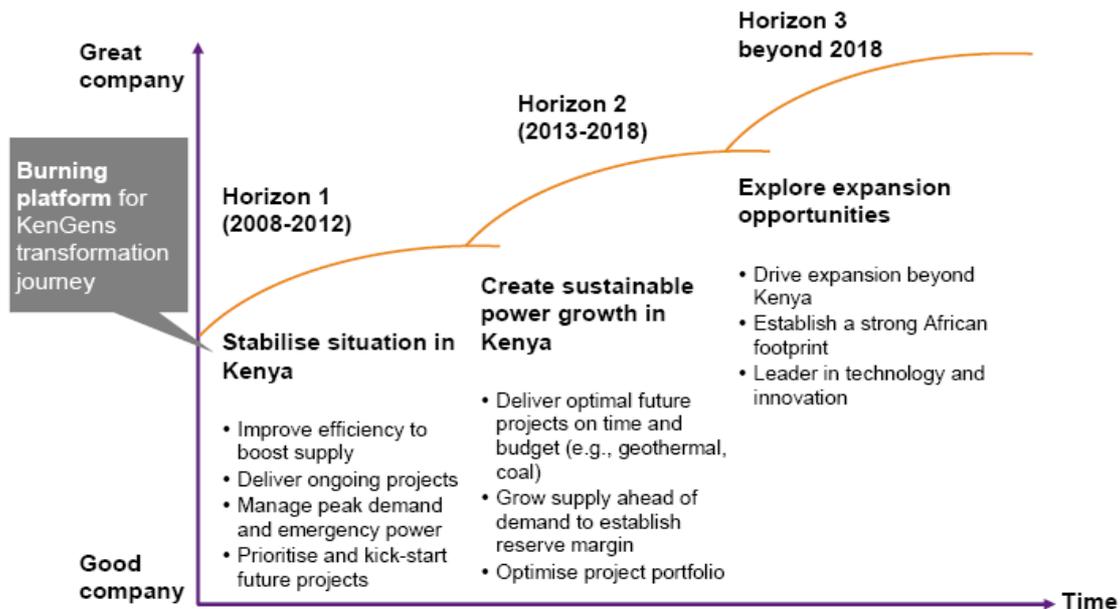
4.2.1 Strategic Horizons for KenGen

The “burning platform” for KenGen today is to stabilize the power situation in Kenya over the next five years by delivering ongoing projects/optimizations, initiating power conservation and maintaining emergency power. KenGen also needs to simultaneously kick-start future projects that bring significant capacity on line over the next 5-10 years, in order to move away from current “fire fighting” to meet demand and create sustainable growth for Kenya. Sustainably growing power provision for Kenya requires KenGen to triple capacity in Kenya from 1,000 to 3,000 MW over the next ten years. Delivering on Kenya’s power needs wins KenGen the right to explore regional expansion opportunities. Three clear strategic horizons have been defined as shown in figure 1.

KenGen is currently implementing the G2G transformation strategy. This ambitious growth strategy stretches KenGen, and to be successful, critical focus is being put on three major strategic pillars (capital planning, regulatory management and operational excellence) supported by an effective organisation (Figure 2). Within each of the strategic pillars and organisational foundation, 15 specific focus areas have been identified that are key to transforming KenGen from a “Good” organisation to a “Great” organisation able to successfully grow the supply of power in Kenya and deliver the three strategic horizons identified as crucial to stabilising the

power situation in Kenya and throughout the region. KenGen is focusing on three strategic pillars supported by a strong organisation, in order to deliver on its vision over horizons 1-3.

Figure 1: Critical path for KenGen to stabilize power situation over 3 strategic horizons



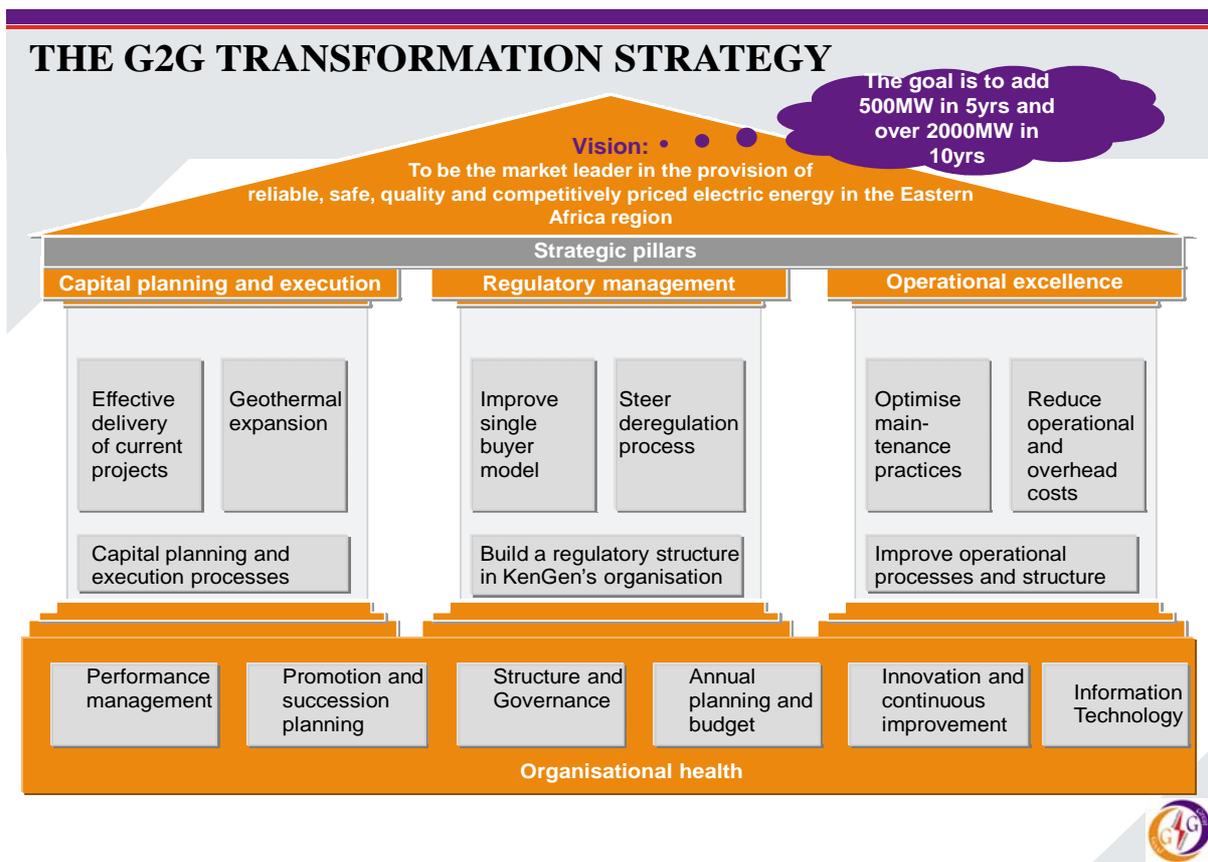
Source: KenGen (2009)

The first strategic pillar involves a rigorous capital planning and execution. Also referred to as the growth strategy, it involves focusing on effective delivery of current projects, aggressive geothermal expansion over the next ten years, and improving capital planning and execution processes. This involves execution of geothermal, wind, gas, coal and hydro projects and a robust long- term financing linked to efficient capital procurement.

The second strategic pillar involves driving an effective regulatory management. Also referred to as the regulatory strategy, it involves focusing on improving the efficiency of the current single buyer model, effectively steering the deregulation process to maximise value for KenGen and Kenya, and building a new regulatory management structure in KenGen’s organisation to proactively manage key stakeholders.

The third strategic pillar involves striving for operational excellence. Also referred to as the productivity strategy, it involves focusing on optimising current maintenance practices, reducing operational and overhead costs, and improving key processes that impact on operational effectiveness like procurement processes.

Figure 2: KenGen’s strategy for transformation from a “Good” to a “Great” company



Source: KenGen (2008)

4.2.2 The Implementation Strategy

To translate the G2G transformation strategy into action, KenGen has translated the overall transformation strategy into a robust implementation plan. Each strategic pillar (capital planning, regulatory management, operational excellence and organisational health) has discrete focus areas, underpinned by corporate goals for KenGen. To achieve the corporate goals in each focus

area, Major Transformation initiatives (MTIs) have been identified and milestones as well as Key Performance Indicators (KPIs) defined for each MTI as shown in figure 3. All key activities required to achieve these MTIs have also been defined and an overall implementation Master Plan developed for the G2G transformation. In order to deliver on the strategy, a number of concrete steps have been taken to ensure effective implementation, namely prioritising Major Transformation Initiatives (MTIs), developing an MTI Master Plan and establishing a bi-weekly Transformation Monitoring Office (TMO) steering Committee.

Figure 3: An implementation strategy consisting of concrete MTIs with defined milestones



Source: KenGen (2009)

A robust implementation strategy has been developed to help KenGen move from strategy to action. The TMO is the guardian of the G2G transformation strategy by monitoring the implementation of MTIS across KenGen the strategy has been broken down into concrete major transformation initiatives with milestones and activities.

Over 100 MTIs exist across all divisions in KenGen that are required to deliver against the G2G Transformation Strategy and over 1,500 activities detailed in the KenGen G2G implementation

master plan. Executing against all of these MTIs requires tremendous focus supplemented by relentless follow through, which can only take place if there is transparency around delivery.

In order to ensure this transparency, which is critical to drive through the G2G transformation strategy, a Transformation Monitoring Office (TMO) has been established. The role of the TMO is to oversee the implementation of MTIs and ensure proper control and coordination with ongoing management activities. The TMO is intended to play a supporting role and help to drive transformation away from “business as usual.” The normal management structures at KenGen still persist in running of existing (and potentially new operations) and the TMO governance structure is intended to enhance as opposed to replace or even replicate the existing management structure.

The governance of the TMO is defined by TMO Steering Committee, a transformation monitoring office, key transformation areas and quick wins. The TMO Steering Committee comprises of KenGen’s Chairman, one other Board member, the Managing Director/CEO and one other Director. Their role is to provide the overall perspective and direction for the transformation effort, make major decisions on recommended actions/plans for MTIs, breakthrough major organisational roadblocks that are impeding progress against defined milestones for MTIs and mobilising the necessary resources for implementation.

A transformation monitoring office comprises of a transformation manager, transformation administrators and champions, and additional expert resources like the communications expert. This office is responsible for providing operational leadership, driving sustainability of the transformation effort, tracking progress and synthesising status, and developing and implementing a robust communications strategy.

The key transformation areas are developed around the key strategic pillars of the G2G strategy, with MTIs for each. Each MTI has an assigned sponsor (Director) and dedicated champions who are responsible for launching efforts to implement solutions, institutionalising changes to ensure sustained benefits, and interacting with the organisation as agents of change.

Quick wins are identified by all levels of employees within the organisation as key areas of short term opportunity. Like in the case of MTIs, all quick wins have assigned sponsors and sometimes also dedicated champions who are responsible for implementing the required actions to capture the quick win opportunities.

The TMO oversees MTIs and ensures proper control and coordination with ongoing management activities. The TMO's mission is to drive KenGen towards transformation targets through accelerating execution of G2G programmes and managing the long term programme portfolio of MTIs. To achieve this mission, four key responsibilities have been identified, performing effective and transparent implementation tracking, monitoring and reporting of benefits, providing support and coordination for priority initiatives, and driving overall change management through leadership. The TMO is intended as a temporary office (3-5 years) to ensure G2G strategy is effectively being implemented as described. Once MTIs have been transitioned into being routine business practices at KenGen, TMO functions will gradually shift to being performed within each division over time and monthly ExCo meetings eventually will be used for monitoring.

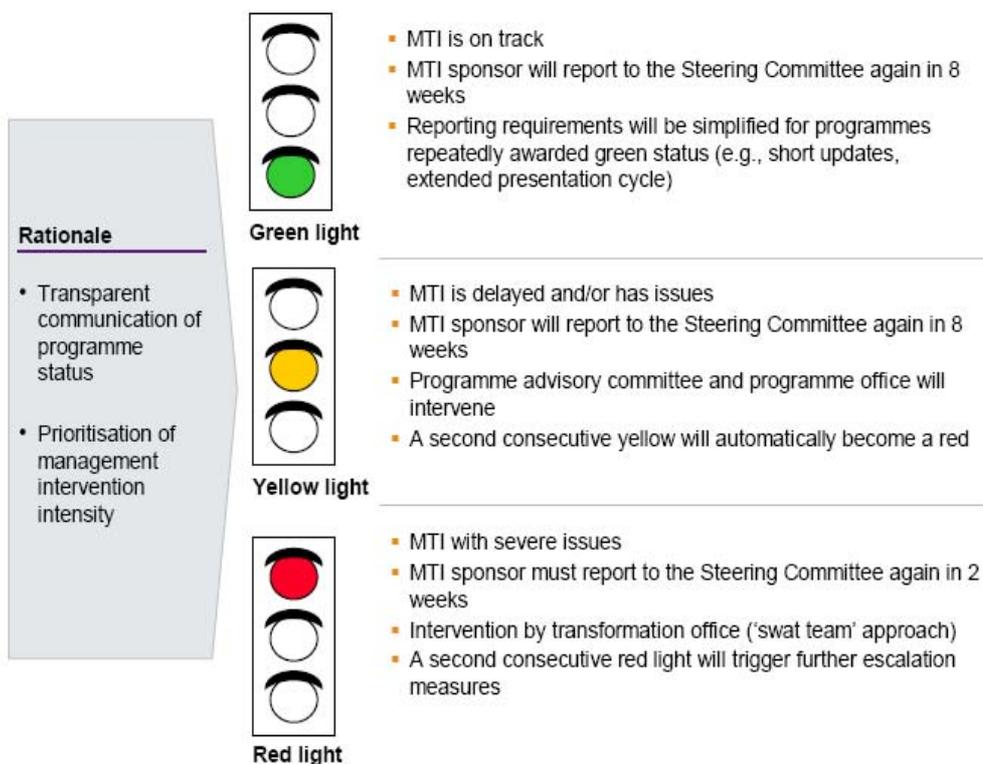
A set process is in place for the TMO to monitor progress against MTIs during biweekly SteerCo meetings. To set up MTIs, two key steps are required. One, scoping – where identified MTIs are scoped, detailed and their approximate value to KenGen is estimated. A high level implementation plans is then developed and all information captured on a standardised template Two, sign off – once the MTI is scoped, each MTIs then get discussed, revised and signed off by the sponsor (Director). The sponsor is required to validate scope of the initiative, estimated value to KenGen, timing of implementation and responsibilities. Once signed off, the information for each MTI is consolidated within one tool which is the KenGen G2G implementation Master Plan.

Once in place, MTIs are reviewed by the TMO bi-weekly. This is done through one page dashboards and issue log templates which are sent to all sponsors for completion and then consolidated and synthesised by the TMO. A traffic light system is used by the TMO to indicate the status of each MTI based on progress against the G2G Transformation Master Plan as shown

in figure 4. Green light indicates that an MTI is on track, yellow indicates that an MTI is delayed or has issues and red indicates MTIs with severe issues. The status of each MTI dictates what is discussed during Bi-weekly TMO Steering Committee meetings. The purpose of these meetings is to make decisions on critical issues and roadblocks for red status MTIs. Therefore, all red status MTIs must be discussed during the TMO Steering Committee meeting. If an MTI is green or yellow, then it should only be discussed in TMO Steering Committee meetings at 8 week intervals, where a short status update is required. However, all MTIs that are yellow a second consecutive time are automatically evaluated as red by the TMO and therefore discussed at the TMO Steering Committee as to understand how progress can be made on these MTIs to ensure that they do not remain consistently delayed or show consistent unresolved issues.

Figure 4: A traffic light system used by the TMO to establish the status of MTI

TRAFFIC LIGHTS INDICATE THE STATUS OF EACH MTI



Source: KenGen (2009)

Similarly the TMO Steering Committee should be present to help provide the required guidance, support and resources to ensure that red status MTIs are brought back on track at the earliest possible opportunity. At each of these meetings the TMO prepares and distributes a completed template termed as the Bi-weekly Dashboard, synthesising the status of all MTIs, indicating savings made to date (where applicable) and highlighting critical issues and next steps that sponsors need to address.

4.2.3 Translating Strategy into Operation

In order to deliver the strategy, KenGen uses the approaches provided by Kaplan (2001) to translate strategy into action. Kaplan (2001), who is the creator of Balanced Scorecard strategy management framework, outlines three critical components that are required for successful strategy implementation as describing the strategy, measuring the strategy, and managing the strategy. The Kaplan (2001) philosophy behind this is that you cannot manage what you cannot measure and you cannot measure what you cannot describe. To describe and visualize strategy, a KenGen strategy map has been developed. To measure strategy, a balanced scorecard to measure objectives in multiple perspectives has been developed. The link between strategy and personal objectives is bridged by the balanced scorecard that translates strategy into operational terms. The KenGen strategy map provides a visual framework for the strategy and illustrates how value is created among the four balanced scorecard perspectives.

The Corporate Scorecard is the cornerstone of cascading scorecards to teams and personal levels throughout KenGen. Cascading the Scorecard has ensured that everyone in the company understands how they contribute to the achievement of the company's overall strategy. It also ensures that corporate goals are aligned to employees' goals. The divisional scorecards cascade from the corporate scorecards and departmental scorecard cascade from divisional scorecard in that manner up to personal or team scorecards. Appendix 3 shows KenGen's corporate scorecard.

4.2.4 Design of Structure and Governance

In order to better align KenGen’s organisational structure with the strategy as well as solve the deeper rooted issues, a number of best practice design principles have been used to design a more robust organisation structure. Combining inputs from the above key processes, best-practice organisation design principles (Figure 5) and inputs from KenGen staff, a high level and flexible organization structure has been put in place to drive the strategy. The complete structure has been exploded into five levels which makes the organisation flatter and more flexible to roll out performance management system.

Figure 5: Best practice design principles used to align KenGen’s organisation to the strategy

Design principles	Description
1 Alignment with strategy	<ul style="list-style-type: none"> Design units where there is alignment with the overall corporate and business unit strategies and key priorities
2 Fit with people and core values	<ul style="list-style-type: none"> Ensure that key people are able and willing to function in the structure and that the design fits the core values and culture of the company
3 Feasibility	<ul style="list-style-type: none"> Ensure that the design is feasible within the constraints of available resources (other than people), the environment (including legal and fiscal rules, and requirements) and other potential constraints
4 Grouping like tasks and span of control	<ul style="list-style-type: none"> Group together those like tasks and responsibilities where value from co-ordination is the highest Group together those tasks and responsibilities where the need for specialisation is high Ensure that span of control does not exceed 5-7 employees (i.e., no one should have more than 5-7 direct reports)
5 Redundancy	<ul style="list-style-type: none"> Eliminate unnecessary layers that result in redundancy (e.g., one-to-one reporting relationships)
6 Simplicity	<ul style="list-style-type: none"> Consider a simple design with autonomous units as the default option and only create added complexity through interdependent units when the benefits are clear and significant
7 Flexibility	<ul style="list-style-type: none"> Ensure that the organisation has sufficient flexibility in the face of uncertainty both to sustain its immediate term performance and to develop the skills and resources needed to exploit longer term opportunities

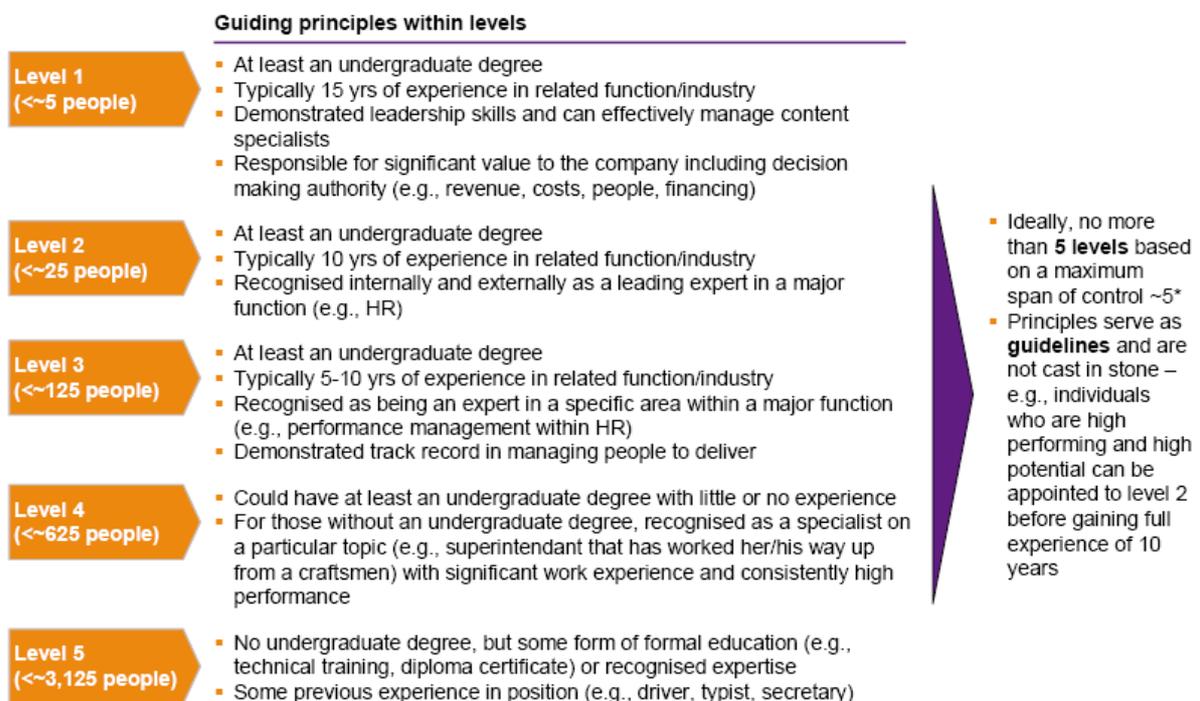
Source: KenGen (2009)

KenGen is managed under the direction of the Board of Directors whose purpose is to maximize long-term economic value for stakeholders by responsibly addressing the concerns of employees,

business partners, investors, the communities where it operates and the public at large. In fulfilling its duties, the Board and its Committees oversee the corporate governance of KenGen, advises management in developing the financial plans, corporate strategy, goals and objectives as well as evaluating managements performance in pursuing and achieving those goals. Five technical board committees have been set up to support the full board in performing its functions, particularly in respect to audit, human resources and G2G transformation.

Divisions and departments are designed such that there is alignment with the overall corporate and business unit strategies and key priorities. KenGen ensures key people are able and willing to function in the structure and that the design fits the core values and culture of the company. They also ensure the design is feasible within the constraints of available resources, the environment and other potential constraints.

Figure 6: Best practice span of control at KenGen



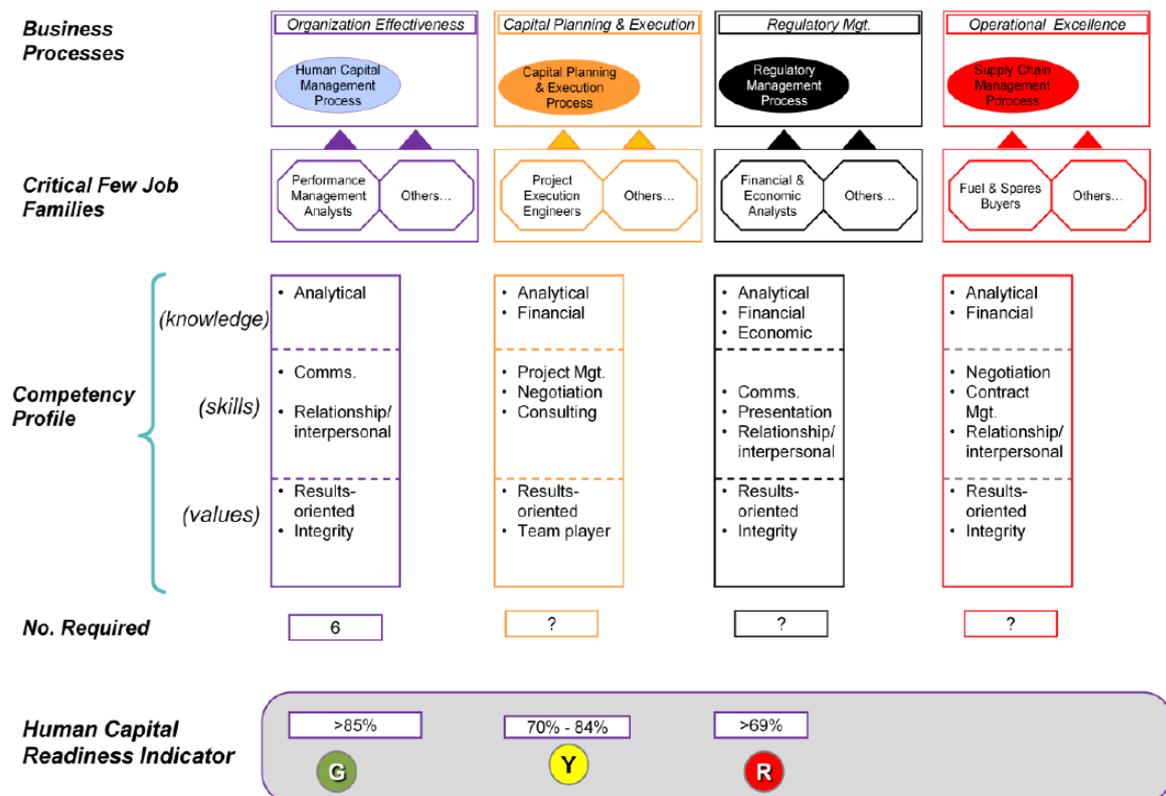
Source: KenGen (2009)

Similar tasks and responsibilities have been grouped together where the need for coordination is high. Similar tasks and responsibilities have been grouped together where the need for specialisation is high. KenGen ensures span of control does not exceed 5-7 employees as in figure 6. The structure has five levels based on a span of control of five with key guiding principles within each level. The current total number of staff is 1553.

4.2.5 Competencies to drive the Strategy

The findings revealed that KenGen is using a human capital readiness profile that is critical in driving its strategy. The company is using the Critical Few Job Family Model which basically identifies those 20% jobs with an 80% impact to the strategy.

Figure 7: Framework for Measuring Human Capital Readiness



Source: KenGen (2009)

Measuring human capital readiness requires the definition of a “competency profile” for each critical few job family and a test to determine who meets the requirements. The starting point is identifying the core business processes that drive the strategy and then linking the key jobs and then determining the human capital readiness profile. The framework KenGen is using is summarised in figure 7.

Table 1 details KenGen’s human resource base by skills category as at 30th June 2009. These skills are adequate to translate the business strategy to actions successfully. However, strategy implementation is normally associated with deviations from the traditional norms. These skills are augmented with training in change management and leadership skills to cultivate and enhance teamwork. The company complements the skills with appropriate tools, staff motivation and empowerment.

Table 1: Human Resource by Skill Categories

CATEGORY	NUMBER
TECHNICAL OPERATIONS STAFF	
Artisans	186
Auxiliary Plant Operators	39
Compressor man	5
Control Assistant	32
Co-ordinator	3
Craftsmen	77
Derrick man	3
Drillers	8
Engineers	105
Foremen (Technical)	113
Machine Operators	14
Plant Operators	99
Power Station Operators	25
Rigfloorman	10
Scientists	84
Superintendent	42
Technicians	71
Turbine Operators	68
Sub Total	956

NON-TECHNICAL	
Accountants	33
Administration Staff	11
Auditors	7
Catering	37
Clerks	92
Corporate Planning	8
Managing Director	1
Drivers	105
Financial Analysts	2
General Support (others)	114
Human Resources	25
Information Technology Staff	28
Legal Affairs	5
Liaison	2
Librarians	5
Medical Staff	9
Public Relations & Communication	3
Procurement	63
Protective Services	7
Teachers	12
Sub Total	569
Company Total	1553

Source: Research Data

4.2.6 Communicating the strategy

It was found out that communication was critical and central to the success of strategy implementation process. Communication is at the heart of evaluating performance and overall performance management. Performance evaluation focuses on comparing actual performance to targets and then using dialogue to communicate areas of progress and improvement. The performance dialogues are grounded in “FACT” (Fact-based, Action-based, Constructive, Targeted). A plan is underway to build efficient and customer-focused relationships with customers through setting up a customer communication desk to enhance two-way communication as well as keep customers updated on various company activities.

The findings revealed that a communication system targeting employees and key stakeholders has been developed around key communication objectives as summarised in table 2.

Table 2: Communication Objectives and Stakeholders

Objective	Target Stakeholders
a) Effective buy-in to the Company Strategy	ERC, MOE, KPLC, MOF & Employees
b) Strong branding, reputation and ownership of the Corporate Goals	Employees
c) Align all employees to the Strategy	Employees
d) Energy Booster:- Through a clear comprehensive and compelling communication	Employees
e) Raise expectation, actively change people's behaviour and engage attention of individuals at all levels of the organization	Employees
f) Workforce is appropriately educated and prepared for organizational changes, know what to expect, foster understanding and support and maintain employee commitment.	Employees
g) Ensure appropriately informed of organizational changes and help maintain support and commitment.	External stakeholders and partners

Source: Research Data

Table 3: Communication System

Approach	Audience
(a) Quarterly detailed update of strategy implementation to KenGen board.	Internal(Board of Directors)
(b) Conducting of effective meetings at all levels and use of performance boards.	Internal(Employees)
(c) Communication and problem solving workshops.	Internal (Board and Staff)
(d) Energy Booster. Through a clear comprehensive and compelling communication.	Internal (Board and Staff)
(e) Quarterly Management/G2G team area visits (Transformation update, collection of ideas and audit of implemented activities).	Internal(Employees)
(f) Monthly G2G bulletin (Fliers, Emails, Notice boards).	Internal(Employees)
(g) Electronic Billboards (with electronic messages).	Internal(Employees)
(h) Give aways (Quarterly)	Internal(Employees)
(i) Recognition and Award ceremonies (Bi-Annual Celebrations)	Internal(Employees) and External(Stakeholders)
(j) Targeted information and engagement with selected stakeholders and partners	External(Stakeholders and public)
(k) Quarterly press releases	External(Stakeholders and public)

Source: Research Data

The findings also showed that a communication system has been developed based on a variety of approaches and audience as shown in table 3.

4.2.7 Financing the Strategy

From the findings it was clear that the extent to which KenGen expands its power supply is defined by its ability to access a range of financing options from both the public and private sector. The choice of the criteria for financing options depends on affordability, accessibility, dependability and timing. The categories of funds are a combination of equity, debt or internal sources. The company explores various sources including domestic capital markets, government infrastructure bonds, international capital markets, debt financing, multilateral and bilateral funding, carbon credits, internally generated funding and Public-Private-Partnership (PPP)/joint ventures. To achieve financing objectives, the company has engaged a financial advisor and a financial arranger, KPMG and Standard Chartered bank respectively. Their role is to assist KenGen in financing the capacity expansion programme for Horizon one and two projects.

It was found that methods of financing electric power investments in the country are changing dramatically. The main force behind the change is the huge need for capital resources and the government's decision to limit the obligations of the government in funding new projects, hence the power companies' shift from government-sponsored debt financing to corporate-sponsored borrowing. The change has two distinct dimensions. First, the need for a commercialization agenda aimed at developing the country's power companies into efficient, commercial, autonomous entities, fully responsive to market forces. Secondly, the need for the power companies to shift reliance from the traditional sources to private sources of finance and even then from bank loans to the bond markets.

KenGen is financing the plants from internally generated funds, from corporate bonds and equipment financing. Following the sale of 30% of the government shareholding in KenGen to the public in 2006, KenGen launched the sale of Ksh.15 billion infrastructure bond on 8th

September, 2009. The bond is priced at par and carries a 12.5 per cent interest rate per annum for a 10-year period. The ability to generate sufficient revenue to meet the bonds financing costs, being the interest per year, and the repayment of the principal at the end of year 10 depends on the results from operations and the tariff regime. The GoK has advanced grant to KenGen to finance the exploration of the geothermal steam field and is also expected to finance the purchase of the geothermal drilling rigs.

Clean Development Mechanism (CDM) is a support scheme under the United Nations climate convention and the Kyoto protocol. This financing mechanism allows eligible projects to generate and sell carbon credits as a supplement to the ordinary electricity generation and sales. These carbon credits are sold as Certified Emission Reductions (CER) to buyers in industrialized countries who have a target for their greenhouse gas emission reductions according to the Kyoto protocol.

KenGen in August 2006 presented six projects to the World Bank, which was accepted. These projects are, the redevelopment of Tana power station, Olkaria II 3rd unit, Kipevu combined cycle, Sondu Miriu hydro station, optimisation of Kiambere and Ebburu power station. KenGen is selling the CERs from the qualifying projects to the World Bank at an estimated value of Ksh. 1.3 billion by the year 2012. These funds are ploughed back to project financing.

4.3 Challenges of Strategy Implementation

The findings indicated various challenges in strategy implementation at KenGen. The first is unavailability of adequate finances for capacity expansion plans. KenGen needs significant additional capital to finance its business plan and in particular, the capacity expansion projects. The expansion projects are grouped in two major horizons, Horizon one being to add 500MW between 2008 and 2012 and Horizon two to add 1,500MW by 2018.

The second is poor hydrology. Periods of unfavourable hydrological conditions affect the availability of power more so since the national power system is 60% hydro-based and all of it comes from KenGen. Hence Kenya's economy and KenGen's ability to meet demand would be adversely affected if hydroelectric energy could not be generated. In addition a number of dams are faced with a threat of sedimentation, which may affect the generation output of the plants. This is due to poor land use systems in the water catchments areas leading to soil erosion.

The third is economic, social and political developments. KenGen derives virtually all of its revenues from Kenya. All company electricity generating facilities and other assets are located in Kenya and all of the officers and directors are resident in Kenya. The operations and financial results (read tariff and sales) are affected by Kenyan government policies, legislation, taxation, social, ethnic, and political developments. Kenya has remained a relatively small mixed economy largely relying on agriculture and tourism. Such lack of sufficient diversification of the economy means that there can be dramatic swings in economic performance in any one year that translate into changes in the demand for power. Adverse developments that significantly affect the economies of the East African countries where KenGen operates, such as withdrawal or suspension of bilateral and multi-lateral aid, significant price inflation, imposition of currency controls or measures to curtail foreign investment also have an impact on the demand for the company's products.

The fourth is the challenge associated with supply of spare parts. The power plants are dependent on timely supply of spare parts for smooth operations purpose. Any disruption in supply of spares parts has an adverse impact on power generation and consequently on revenues, margins and cash flows. Disruptions in supply of spare parts arise from inability to find suppliers to deliver parts within a reasonable timeframe after failure particularly of old plants or delays in shipping and transporting parts to remote generating plants.

The fifth is procurement of contractors. Timely commissioning of electric power projects is dependent on the quality of the contractors procured to implement the projects. Despite the contractors bids having been solicited through international competitive bidding and evaluated in accordance with the World Bank standard bidding documents, the electric power sector and

especially generation has been characterised by few and low quality responses to the bids, which has led to delay in project implementation in cases where re-tendering has become necessary, and has also led to the projects becoming very costly due to limited choices. Further, the power projects especially hydro and geothermal have very long lead-time since the projects are implemented in various stages lasting several years. Specialised suppliers may require single sourcing and/or partnerships, which could lead to delays given government procurement laws. A combination of all these factors leads to substantial delay in commissioning electric power plants.

The sixth is culture. Generally it was noted that there was good morale, positive attitude and cooperative behaviour of employees towards implementation of strategy at the middle and lower levels but some employees in lower levels did not specifically know of existence of the business plan basically because the top management has not well disseminated the information. This means that employees perform their roles routinely without knowing of the strategic plans. Disparity of pay/remuneration and large basic salary overlaps exist between managerial and union staff which affects morale of members of staff. Inequalities are worsened by benefits paid above and beyond the basic salary such as overtime, where inequitable remuneration policies exist. This was more pronounced in the operations division. There was also the issue of some staff not working and therefore dragging their teams behind in performance and in the delivery of the company strategy.

The seventh is fuel consumption and costs. The success of the company's operations, and the proposed expansion of the generation capacity, is dependent on, among other things, the ability to ensure unconstrained availability of fuels at competitive prices during the life cycle of the existing power stations. Further, fuel prices are currently deregulated, and with the recent upward trends and absence of long-term futures on fuel, there remains a challenge on sourcing competitive fuel prices and the required quantities.

The eighth is financial and foreign currency exposures. Due to the nature of the company operations, a number of long term obligations and significant supplies are denominated in

currencies other than the Kenyan shillings. This means that the company is exposed to currency fluctuations risks, which translate to significant variations in KenGen's reported trading results.

The ninth is environmental liability. The operations of the company create difficult environmental challenges, and changes in environmental laws and regulations expose the company to liability and results in increased costs. The power plants and power generation projects are subject to environmental laws and regulations promulgated by the Ministry of Environment and Natural Resources as well as the NEMA. These include laws and regulations that limit the discharge of pollutants in to air and water and establish standards for the treatment, storage and disposal of hazardous waste materials. Compliance with current environmental regulations, particularly by the older plants, require substantial capital expenditure. Compliance with these requirements, as well add to the capital expenditures and operating expenses.

4.3.1 Measures to deal with Challenges

The findings showed that KenGen dealt with the challenges mentioned above in different ways. First, to deal with the challenge of unavailability of adequate finances, the company is pursuing additional sources of funding such as joint venture arrangements to supplement its internally generated funds. This includes raising project finance through capital markets by the issue of debt instruments. The company has procured the services of a financial advisor and arranger to develop a program to meeting its financial requirements. The financial program includes the necessary mitigating factors to ensure availability of finances for expansion.

Second, to deal with the challenge of poor hydrology, geographical diversification of hydro plants has commenced as well as the expansion of the storage capacity of Masinga reservoir and proper water management. Future investments targets the all-weather generation plants such as geothermal, wind and coal based to reduce the exposure to hydrology-based production. KenGen has programmes to collaborate with institutions in charge of water catchments management in order to reduce soil erosion by employing proper land use systems.

Third, to deal with the challenge of economic, social and political developments, KenGen has identified regulatory management as a key pillar in achieving the expansion strategy. A division solely managing regulatory issues have been established, the Regulatory Affairs Division. This division covers all the economic, social and political aspects affecting KenGen's expansion strategy. It ensures compliance and approvals by all relevant stakeholders. KenGen is also pursuing regional interconnections which would enable it sell its power to the neighbouring countries in the event that demand for electric power declined in Kenya. The Government is putting in place measures to improve the business environment and encourage economic growth.

Fourth, to deal with the challenge of supply of spare parts, the company is striving to maintain sufficient spare parts inventory for smooth operation of plants while at the same time undertaking competitive procurement of new spares. By having well designed operations and maintenance processes, the company minimizes the utilization of spare parts and ensures operational excellence.

Fifth, the challenge of procurement of contractors is dealt with by breaking up the Engineering, Procurement and Construction (EPC) contracts into separate contract packages. This would attract different contractors for different project implementation stages, hence diversifying the risk of having one contractor handle the entire project implementation process.

Sixth, to deal with the challenge of culture, KenGen has a plan to address the inherent deficiencies on employees. The issue of disparity in pay and salary overlaps is being addressed by the human resources and administration division as it is an important factor that influences a person's ability to perform enthusiastically. The company is in the process of re-organising the departments through the G2G transformation that is providing an avenue for staff to migrate from one job to another. The morale of staff has improved significantly since the transformation began as it gives one hope and a sense of progression and better opportunities.

Seventh, to deal with the challenge of fuel consumption and costs KenGen undertakes regular competitive procurement of fuel. The company also maintains some fuel reserves to enable plant operations for 43 days. Further, any increase in fuel cost is recovered through the fuel cost

element of the bulk tariff under the current Interim Power Purchase Agreement (IPPA) and tariff regulations. The company strives to improve efficiency in all business processes particularly in procurement of goods such as fuels.

Eighth, the challenge of financial and foreign currency exposures has been dealt with by the terms of the current Interim Power Purchase Agreement (IPPA) that allow KenGen to compute and recover a Foreign Exchange Adjustment (FEA) charge each month from KPLC. This FEA charge is computed on the basis of the actual foreign currency payments that KenGen has made in the month (translated into US Dollars) multiplied by the difference between the actual exchange rate ruling at the date the payment was made and a reference rate.

Ninth, to deal with the challenge of environmental liability, KenGen undertakes environmental impact assessment for any new investment in capacity expansion and implements the mitigation measures both at construction and operations stages. Regular environmental audits are done in the power stations as per regulations and annual audit reports are submitted to NEMA. KenGen is also in the process of implementing ISO14000 environmental management system.

4.4 Discussion

The results revealed useful information with respect to the concept. From the content analysis of the study it was established that communication systems, use of competent staff and organization structure improved strategy implementation at KenGen. These relationships were supported by the structured survey carried out by McKinsey Company on KenGen staff that looked at the Organizational Performance Profile (OPP). The OPP report indicated that there was very stable performance in strategy implementation during the periods in which KenGen invested heavily in developing competent staff. The report showed that indeed the skills are adequate in the company to translate the business strategy to actions successfully.

The results indicated that strategy implementation requires continual learning, innovation and growth as supported by the fourth perspective of the balanced score card, on which KenGen business strategy is based. Learning and growth perspective also supported the idea of

enhancement of strategy implementation. This perspective, therefore, showed a positive relationship with the objectives set out in chapter one of this report as well as the theory ascribed to in the conceptual discussion.

The results in this study indicate that the “implementation strategy” adopted by KenGen in implementing its strategies can enhance the efficiency of the implementation process. A number of concrete steps have been taken to ensure effective implementation, namely prioritizing Major Transformation Initiatives (MTIs), developing an MTI Master Plan and establishing a bi-weekly Transformation Monitoring Office (TMO) steering Committee. In this way, the professional practices in strategy implementation are improved, not just in KenGen but in the whole power industry.

The idea of Transformation Monitoring Office (TMO) fits well to the present theory. The findings of this study showed that this office acts as the guardian of the strategy by monitoring the implementation of MTIs across all levels. Kaplan and Norton (2004) suggest that strategy implementation must be done by employees at all levels. The work by Kaplan and Norton (2004) indicate that the Office of Strategy Management (OSM) with 6-8 people improve the effective and efficient use of the Balanced Score Card (BSC). The TMO at KenGen is functionally equivalent to OSM. In addition, it was found that if rewards were well tied to performance, then strategy implementation efficiency would be improved.

The findings of this study showed that there exists a strong relationship between the BSC and strategy maps. The strategy map and BSC, which are the tools that KenGen uses to translate strategy into operation, are in line with the theory by Kaplan (2001) on the BSC. The theory describes the critical components required for successful strategy implementation as describing the strategy, measuring the strategy, and managing the strategy. To describe, measure, and manage the business strategy KenGen has developed a strategy map and corporate BSC. It was found that the study results generally agreed with theory.

The findings of this study conformed to findings of other studies on most aspects of strategy implementation. Previous studies on strategy maps (Kaplan and Norton, 2004) and value chain

strategy (Lysons and Farrington, 2006) presented comparable results to that of this study. In the value chain strategy implementation, primary activities like inbound logistics and operations require support activities like firm infrastructure, competent human resources, technology and communication. Similarly, the main strategy implementation practices at KenGen are affected by factors such as human resources, technology and communication.

It is noted that the results of this study conflicted with that from the previous studies by Porter (1998) on the implementation of the five forces model strategy. The implementation of the five factors model is becoming quite limited by latest technologies that are encouraging networks and alliances between rivals in industry, buyers, suppliers and offering many substitutes. This means the role of theory must be re-examined in light of current dynamic contemporary business environment of the 21st Century. The implementation of the five forces model strategy is, therefore, not in line with the existing theory. This is contrary to the findings of this study which showed results that agreed with theory.

The peculiar finding that is unique to this study regard the political, economic, social-cultural, technological and other challenges faced by KenGen in strategy implementation in the contemporary business environment. The study results showed that most of the challenges faced by the company have been overcome and a strong case has been presented for competitive advantage, one that has been achieved both in cost reduction and uniqueness by applying strategy implementation prudently.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter relates the findings of the research study to the objectives set out in chapter one. It comprises of the summary of the findings, conclusions and recommendations. It also highlights the limitations of the research study and suggestions for further research.

5.2 Summary

5.2.1 Strategy Implementation Practices

The results revealed useful information with respect to the objectives. The first objective of the study was to establish the strategy implementation practices adopted by KenGen. The study established that the company uses a blend of strategy implementation practices. These practices include the approaches KenGen has employed in building the strategic direction as defined in the strategic horizons, the implementation strategy used to implement the G2G transformation strategy, the methods used to translate strategy to action, ways of designing the organization structure and governance, the competencies employed to drive the strategy, the methods of communicating and financing the Strategy.

The results indicated that strategy implementation requires a variety of practices in order to successfully translate the organization plans into action. The practices employed by KenGen are unique to the company set up, operating environment and nature of business. The practices that are put in place are dependent on the resources available at the disposal of the company and the organizational capability. The unique practices employed by the company in strategy implementation enables the company to be a market leader in the local region – providing 80% of the electricity consumed in Kenya. KenGen has adopted a contemporary approach that compares favourably to worldwide champions in power generation and other leading industries that employ best practice principles in business.

5.2.2 Challenges of Strategy Implementation

The second objective of the study was to establish the challenges encountered by KenGen in implementing its strategies. The company encountered several challenges, most of which were unique to the industry. The challenges include unavailability of adequate finances for capacity expansion plans, poor hydrology, the economic, social and political developments that make the environment unfavourable for strategy implementation, the challenge associated with supply of spare parts, the procurement of contractors that delay the implementation process, the influence of culture, fuel consumption and erratic costs, financial and foreign currency exposures that affect business, and environmental liability aspects that impact on strategy.

KenGen has put in measures of dealing with each of the challenge. These measures include pursuing additional sources of funding to supplement its internally generated funds, geographical diversification of hydro plants, adopting regulatory management, striving to maintain sufficient spare parts inventory, breaking up the EPC contracts into separate contract packages, addressing the inherent deficiencies on employees, undertaking regular competitive procurement of fuel, having the Interim Power Purchase Agreement (IPPA) and undertaking environmental impact assessments. The company was playing a proactive role in addressing the existing implementation challenges. Like the size of the prize, the magnitude of the challenges is equally significant for the strategy.

5.3 Recommendations

To build a sense of urgency and cultivate the right management philosophy to be successful KenGen needs to relentlessly continue driving implementation through the bi-weekly TMO meetings. Sponsors and champions should be supported in following through on agreed MTIs but at the same time also held accountable for delivery. The TMO must also place ongoing emphasis on communication that is timely, broad based and effective to ensure that the strategy implementation does not lose momentum. One important priority is the execution and communication of quick wins to help build momentum for change and propel KenGen from the Good company it is today, to the Great company it aspires to become.

Performance management is an enabling factor related to the organisation and a contributor to successful strategy implementation. Performance management needs to be further embedded and rolled out across KenGen. All employees need to be stakeholders in the future direction of the organization. Their daily performance and activities should be measured along the specific milestones and core values identified by the business plan. This is based on the principle that, “What cannot be measured cannot be managed”.

A dedicated team is required to own and drive this implementation across the company and KenGen should consider hiring a specialist with previous experience in rolling out performance management systems across large organisations. The team should make use of the tools that have been developed for KenGen such as the balanced scorecard, performance boards, training videos and succession and development plans. In addition, KenGen should finalise the unfinished policies around monetary and non-monetary awards and link the performance management system to the new strategy that need to be developed for the company.

5.4 Limitations of the study

Interviewing top level executives in the organization on strategy implementation is like asking for a self evaluation. It also demands that the informant makes a judgement on the institution they work for. It is expected therefore that some of the responses were likely to be biased as the informant may perceive penalties resulting from taking a particular position on an issue. This was, however, minimised by assuring the informants that the information was to be used solely for academic purposes.

There was also a constraint of availability of informants due to engagements such as leave of absence, training, or fieldwork. Some potential informants, being busy top level executives, were not available within the time frame of the research work. Nonetheless, the informant rate was high enough that these limitations had marginal effects on the overall findings of the study.

5.5 Suggestions for Further Research

This study cannot be considered exhaustive in addressing all major aspects of strategy implementation in KenGen and in the power industry. The research was a qualitative study that dwelt deeper into the reasons behind what, how, and why. A quantitative research could be conducted in future to survey strategy implementation across several firms in the power industry to identify the aggregate position.

The research focused on practices of strategy implementation and challenges of strategy implementation exclusively. A study could be conducted in future to investigate how performance management in KenGen can be improved to support strategy implementation process.

This study focused on strategy implementation process at a time when KenGen was undergoing a G2G transformation. A future study should be conducted to identify how KenGen was transformed from a “Good” organisation to a “Great” organisation, with emphasis on leadership and change management.

5.6 Conclusions

The overall result shows that the practices adopted by KenGen in its strategy implementation are effective. It can be concluded that the practices support the implementation of the business plan and help propel the company towards the attainment of its vision. The practices employed by KenGen in strategy implementation are of great interest, they can be emulated by other organizations within and without the power industry. These best practice principles used by the company are the key success factors in strategy implementation. However, these practices have been to some extent affected by the challenges the company is currently facing.

The approach to strategy implementation is anchored in developing a solid understanding of the current drivers of implementation challenges. KenGen has achieved this through a combination of activities, ranging from structured surveys looking at the Organisational Performance Profile

(OPP) (KenGen, 2009) to detailed interviews and analyses. It can be concluded that the company has achieved a strong build up with the presence of new strategies (particularly regulatory management and geothermal) that have been adopted by senior management, effective buy-in to key recommendations such as the geothermal strategy by external parties, and specific processes and tools being used by the TMO. However, significant challenges still need to be addressed in order to achieve a breakthrough. One such challenge is employee morale that can be overcome by addressing remuneration needs of staff as major salary overlaps exist. KenGen should also play a proactive role in addressing the current implementation challenges. This way, KenGen will be the architect of its own success and that of the industry – which are inextricably linked.

REFERENCES

- Ansoff, H.I. & McDonnell, E.J. (1990). *Implementing Strategic Management*. 2nd Ed. London: Prentice-Hall.
- Aosa, E. (1992). *An Empirical Investigation of Aspects of Strategy Formulation and Implementation within Large, Private Manufacturing Companies in Kenya*. Unpublished PhD Thesis, University of Strathclyde.
- Aspesi, C. & Vardham, D. (1999). “Brilliant Strategy, but can you execute?”, *The Online Journal of McKinsey and Company*. Vol. 1.
- Beardsley, S.C., Bugrov, D. & Enriquez L. (2005). “The Role of Regulation in Strategy”. *The Online Journal of McKinsey and Company*, Vol. 4.
- Boseman, G. & Phatak, A. (1989). *Strategic Management: Text and cases*, 2nd Ed. John Wiley and Sons Publishers.
- Bourgeois III, L.J. & Brodwin, D.R. (1984). “Strategic Implementation: Five Approaches to an Elusive Phenomenon”. *Strategic Management Journal*, Vol.5, 241 – 261.
- Burnes, B. (2004). *Managing Change, A Strategic Approach to Organizational Dynamics*, 4th Ed. Prentice- Hall.
- Chandler, A.D. (1962). *Strategy and Structure*. M.I.T. Press.
- Daft, R.L. (2000). *Management*, 4th Ed. Nashville, Tennessee: The Dryden Press.
- Dobbs, R., Leslie, K. & Mendonca, L.T. (2005). “Building the Healthy Corporation”. *The online Journal of McKinsey and Company*. Vol. 3.
- Feurer, R. & Chaharbaghi, K. (1995). “Dynamic Strategy Formulation and Alignment”, *Journal of General Management*, Vol. 20, no.3, 76-90.
- Galbraith, J.R. & Kazanjian, R.K. (1986). *Strategy Implementation: Structure, Systems and Process*, 2nd Ed. St Paul, Minnesota, Western Publishing.
- Gupta, A.K. & Govindarajan, V. (1984). “Business Unit Strategy, Managerial Characteristics, and Business Unit Effectiveness at Strategy Implementation”. *Academy of Management Journal*. 25-41.
- Hills, C.W. & Jones, G.R. (2001). *Strategic Management Theory*, 5th Ed. Houghjton Mifflin Company.

- Hitt, M.A., Ireland, R.D. & Hoskisson, R.E. (1995). *Strategic Management: Competitiveness and Globalization*. St Paul, Minnesota, West Publishing Company.
- Hrebiniak, L.G. (1984). *Implementing Strategy*, New York: Macmillan.
- Hsieh, T. & Yik, S. (2005). "Leadership at the Starting Point of Strategy". *The Online Journal of McKinsey and Company*. Vol. 1.
- Ikavalko, H. & Aaltonen, P. (2002). "Implementing Strategies Successfully". *Integrated Manufacturing Systems*, 13(6), 415-18.
- Johnson, G. & Scholes, K. (2002). *Exploring Corporate Strategy*. London: Prentice-Hall.
- Johnson, G. & Scholes, K. (2004). *Exploring Corporate Strategy*. 6th Ed. New Delhi: Prentice-Hall.
- Judson, A.S. (1996). *Making Strategy Happen: Transforming Plans into Reality*, 2nd Ed. Blackwell Business Publishers.
- Kadushin, A. (1990). *The Social Work Interview*. New York: Columbia University Press.
- Kaplan, R.S. (2001). *The Strategy focused organization. How balanced scorecard companies thrive in new business environment*. Boston, Massachusetts: USA. Harvard Business School publishing Corporation.
- Kaplan, R.S., & Norton, D.P. (2004). *Strategy Maps. Converting intangible assets into tangible outcomes*. Harvard Business School Publishing Corporation. Boston Massachusetts, USA.
- KenGen (2008). *KenGen Business Plan (2008-2013)*. Internal Publication.
- KenGen (2009). *Good to Great Transformation Strategy*. Internal report.
- Kiruthi, J.N. (2001). *The state of strategic Management Practices in Non-Profit Making Organizations: The case of Public Membership Clubs in Nairobi*. Unpublished MBA Project, University of Nairobi.
- Kombo, F.K. (2003). *Strategy Implementation and its challenges in Public Corporations: The case of TELKOM Kenya*. Unpublished MBA Project, University of Nairobi.
- Koske, F.K. (2003). *Strategy Implementation and its Challenges in Public Corporations: A case of Telkom (K) Limited*. Unpublished MBA Research Project, University of Nairobi.
- Kothari, C.R. (2002). *Research Methodology: Methods & Techniques*. 2nd Ed. Jaipur: New Age International (P) Ltd.

- Koyio, L.M. (1999). *Structure and Strategy Relationship in the Kenya Enterprises*. Unpublished MBA Project, University of Nairobi.
- Leontiades, M. (1982). "The Confusing Words of Business Policy", *Academy of Management Review*. Vol. 7, 45 – 48.
- Lysons K. & Farrington B. (2006). *Purchasing and Supply Chain Management*. 7th Edition. Prentice-Hall.
- Machuki, V.N. (2005). *Challenges of Strategy Implementation, A case for CMC Motors Group Ltd*. Unpublished MBA Research Project, University of Nairobi.
- Markides, C. (1997). "Strategic Innovation", *Sloan Management Review*. Spring, 9- 27.
- Mintzberg, H. & Quinn J.B. (1991). *The Strategy Process: Concepts, Contexts, Cases*. 2nd Ed. Englewood Cliffs: Prentice-Hall, Inc.
- Mintzberg, H., Ahlstrand, B. & Lampel, J. (1998). *Strategy Safari*. Pearson Education Limited. Edinburgh Gate, UK.
- Mockler, R.J. (1993). *Strategic Management. An integrative context- specific process*. Idea group Publishing.
- Muthuiya, F.A. (2004). *Strategy Implementation and its Challenges in Public Corporations in Kenya: The case of African Medical Research Foundation (AMREF) – Kenya*. Unpublished MBA Project, University of Nairobi.
- Peters, T. & Waterman, R. (1982). *In Search of Excellence*. London: Harper & Row.
- Pierce, J.A. & Robinson, R.B. (2000). *Strategic Management: Strategy Formulation, Implementation and Control*. 9th Ed. McGraw-Hill.
- Porter, M.E. (1998). *Competitive Advantage. Creating and sustaining Superior performance*. 1st Free Press export Ed. New York, USA.
- Prescott, J.E. (1986). "Environments as moderators of the Relationship between Strategy and Performance", *Academy of Management Journal*. Vol. 29, 329 – 346.
- Rowe, A.J., Mason, R.O., Dickel, K.E., Mann, R.B. & Mockler, R.J. (1994). *Strategic Management: A Methodological Approach*. 4th Ed. Addison: Wesley Publishing.
- Rubin, R.B. & Piele, L.J. (1990). *Communication Research: Strategies and Source*. 2nd Ed. Belmont, California, Wadsworth, 182- 183.
- Stevenson, H.H. (1976). "Defining Corporate Strengths and Weaknesses". *Sloan Management Review*.

- Swartz, S. (1985). "Basic Bedrooms: How Marriot changes hotel design to tap mid-priced market". *The wall street journal*.
- Thompson, A.A. & Strickland, A.J. (2003a). *Strategic Management- concepts and cases*. 13th Ed. Tata McGraw-Hill Publishing.
- Thompson, A.A. & Strickland, A.J. (2003b). *Strategy Formulation and Implementation*. 4th Ed. IRWIN.
- Thompson, A.A., Strickland III, A.J. & Gamble, J.E. (2005). *Crafting and Executing Strategy: The Quest for Competitive Advantage – Concepts and Case*. 14th Ed. New York: McGraw-Hill.
- Thompson, J.L. (1993). *Strategic Management Awareness and Change*. 2nd Ed. Chapman and Hall publishing.
- White, B. (2002). *Writing Your M.B.A. Dissertation*. London: Thompson Learning.
- Wit, B. & Meyer, R. (2001). *Strategy: Process, Content, Context*. 2nd Ed. London: Thompson Learning.
- Yin, R.K. (1984). *Case study research: Design and methods*. Newbury Park, CA: Sage.
- York, R.O. (1998). *Conducting Social Work Research: An Experimental Approach*. Needham Heights, Allyn & Bacon.

APPENDICES

Appendix 1: Letter of Introduction



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE..... 7/9/2009.....

TO WHOM IT MAY CONCERN

The bearer of this letter TERESA WAITEGO KARANI.....

Registration No: DBI/P/7059/2004.....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

Appendix 2: Interview Guide

Top level Management

1. Does the institution have a business strategy?
2. What are the components of that business strategy?
3. What practices do you employ in implementing the business strategy?
4. Does KenGen have documented corporate objectives?
5. What initiatives or action plans have you put in place in order to achieve these objectives?
6. What are the targets that have been set to help measure the achievement of the corporate objectives?
7. What is the role of corporate governance in strategy implementation?
8. What are the core competences and skills employed by the company to translate the business strategy to actions successfully?
9. What are the various information systems put in place by the company to facilitate strategy implementation?
10. How does the organizational structure support or hinder the implementation of the strategies?
11. How does the organizational culture support or hinder the implementation of the strategies?
12. Does the company have the required resources for implementation of the established business strategy?
13. How effective are the communication systems in enhancing access to information by the workers?
14. How would you describe the available communication systems' support to strategy implementation?
15. Do we have any uncontrollable factor in the external environment that has adverse impact on strategy implementation? Comment on the nature and source.
16. What challenges do you encounter in the process of strategy implementation?

17. Is the senior management of the institution in the forefront in providing leadership to enable strategy implementation?
18. What is the general attitude of junior and middle level staff towards the business strategy? Do they have adequate information on their roles in the strategy implementation?
19. What challenges do you face in terms of employees morale, behaviour and general approach to work during the implementation of the strategies?
20. What's your general comment on strategic management in KenGen?

Appendix 3: KenGen Corporate Scorecard

a) Financial Perspective

Objectives	Measures	Targets	Initiatives
Increase net sales to 7732 GWh by the year 2012	Sales in GWh/Year	7732 GWh by the year 2012	-Timely implementation of planned projects
			-Sell power directly to bulk customer
			- Access the regional markets
			-Improve efficiency of existing plants
			-Upgrade the existing plants
			-Ensure high system availability
Maximise Return on Investment (ROI)	% Of Return on Investment	6%	-Charge Cost reflective plant specific tariff
			-Maintain self financing ratio of 30%
			-Ensure Optimal cost of financing
			-Undertake financially viable investments
			-Increase sales
			-Achieve high system availability
Reduce cost of doing business	Cost reduction initiatives per division	3 initiatives per division-per year Quantified in monetary terms	-In-house consultancy
			-Outsource non-strategic services
			-Minimise foreign exchange exposure
	Kshs/kW/h (Total Costs/Energy sold)	Reduce costs by 2% annually	-Undertake energy efficiency audits
			-Cost per unit benchmarked against competitor
			-Procure materials/equipments timely
Cost budget variance	Less than 5% variance	-Rehabilitate/Replace old inefficient plants	
		-Motivate Staff	
Grow non-traditional sources of revenue	% Of revenue	10% by the year 2012	-Efficient dispatch of units generated
			-Undertake business process re-engineering
			-Consultancy in IT, Geothermal development & Engineering services
Charge Cost Reflective Tariff	Plant Specific Capacity and Energy charge	By the end of the 2009 fiscal year	-Utilize Company idle land on forestry
			-Generate electricity from other non-traditional sources such as biomass (bagasse), municipal waste, solar and wind
			-Provide Input into the on-going tariff study
			-Draw a long-term Power Purchase agreement
			-Lobby for a plant specific capacity and energy charge with the MoE and the ERB

Source: Research Data

b) Customer Perspective

Objectives	Measures	Targets	Initiatives
To be the supplier of choice	% of Availability & Reliability	97% Hydro	-Timely maintenance of the power plants
		89%-Thermal	-Rehabilitate inefficient plants
			-Long-Term competitive fuel supply
		99%-Geothermal	-Optimal reservoir management (Water, Fuel and Steam)
	Competitive price	Industry Price Leader	-Automation of plants
			-Ensure optimal operating costs
Safety of our product	100%	-Undertake Least cost capacity expansion	
Ensure customer satisfaction	% Of complaints resolved	100%	-Adhere to EHS Policy
			-Respond to customer complaints timely
			-Ensure effective communication with our customers
			-Open a customer complaint file/Suggestion Boxes
			-Acknowledgement of complaint should be within one week
Enhance corporate image	% of net profit spent on corporate social responsibilities	1% of annual net profit	-Conduct customer satisfaction survey
			-Enhance social responsibility in all areas of operation
	KenGen brand awareness index	80%	-Market the KenGen brand
			-Conduct KenGen brand awareness survey

Source: Research Data

c) Internal Business Perspective

Objectives	Measures	Targets	Initiatives
Increase installed capacity	MW	Additional 563.5 MW by the year 2012	-Identification and appraisal of viable projects
			-Pursue international best practice in procurement
			-Identify competitive sources of funding
			-Engage in Strategic partnership
			-Generate sufficient internal finances
Enhance Research and development & innovation	Number of research projects undertaken	2 per year	-Apply International best practice in project Implementation
			-Allocate 5% of profit after tax to R&D budget
			-Build Human Resources Capacity
			-Identification of R& D opportunities
			-Implement R&D ideas
Business process re-engineering	Number of processes re-engineered	2 per year, per Division	-Maintain a data base of innovative ideas
			-Reward innovations
			-Identify business processes to be re-engineered
			-Identify the latest value adding technology
			-Build partner relationships to upgrade technology and expand business
Automate generating plants	Number of plants	2 plants per year	Identify plants to be automated
			-Identify the latest technology
			-Retrofit and upgrade plants
Enhance quality culture – QMS	Number of non-conformities	-Less than 7	-Training on quality management systems
	-% of QMS awareness	-100% awareness	-Maintain top management commitment and leadership in QMS
Enhance environmental Management			- Undertake Quality audits
	% Compliance with the NEMA rules and regulations	-100% Compliance	- ISO 14000 Certification
	Number of complaints	Zero	-Conduct Environmental audits in all the stations at least once per year.
			-Conservation of water catchments areas
			-Conduct Environmental Impact Assessment before project implementation

Objectives	Measures	Targets	Initiatives
Minimize business risk	Cost of earnings lost due to risk exposure	5% reduction every year	-Identify, classify and group the Company's major risks
			-Formulate risk mitigating measures
			-Implement the mitigating measures
			-Continuous monitoring and evaluation
Corruption Prevention	Number of anti-corruption initiatives	2 per division per year	-Conduct Internal Audits, 3 per station per year
			-Adherence to the Public officer ethics act
			-Corruption awareness/ prevention training
			-Adherence to procurement guidelines
			-Constitute an anti-corruption committee
			-Adherence to anti-corruption and economic crimes act
			-Job Rotation
			-Recruit good people
Adhere to regulations and Legislations	-Penalties per year	100% compliance	-Reward/Protect whistle blowers
	-Number of claims		-Open suggestion boxes
			-Regular monitoring /Compliance audits
			-Create awareness on all policies
			-Continuous training & documentation of policies and procedures
			-Regular environmental & safety audit

Source: Research Data

d) Learning and Growth Perspective

Objectives	Measures	Targets	Initiatives
Enhance staff productivity	Ratio of sales to staff	4.81 GWh/Employee by 2012	-Increased sales
			- Maintain optimal number of staff
			-Develop strategic competencies and skills
			-Continues training and development
Enhance Staff Retention	% Turnover of key staff	100% Retention	-Enhance staff motivation
			-Market based remuneration
			-Enhance Career Growth & Development
			-Develop succession plans
Develop Leaders and Managers at all levels to mobilize the organization towards the strategy	No. of leadership programs.	One course/year	-Bonus sharing based on performance
	Level of delegation	Appropriate delegation of responsibility and authority	-Identification of leadership & Competency gap
			-Continues training and development
			-Succession Planning

Objectives	Measures	Targets	Initiatives
Develop awareness and internalization of the mission, vision and core values needed to execute the strategy	Percent of employees who understand our mission, vision and core values	100%	-Employee training on vision, mission and core values -Conduct an employee awareness survey
	Percent of employees whose career goals are aligned to the organizational strategy		-Carry out a trend analysis (Shows how much we are Deviating) -Team briefing (Sharing the vision, mission, core values and The strategy)
Human capital (resource) readiness	Performance targets	100% achievement of targets	- Carryout Skills inventory to identify competency gap -Conduct Performance appraisal to identify training needs - Succession Planning -Develop strategic competencies and skills - Human Capital Rationalisation/Mapping
Enhance Strategy implementation	No. of divisions that have cascaded the strategy	All the divisions	- Strategy awareness training - Strategy awareness survey
	Level of cascading		
Ensure availability of accurate, consistent and timely information across the organization	Percentage of employees/Cust omers who obtain immediate feedback from operations	100%	-Develop technology that facilitates process improvement and customer satisfaction -Develop value adding databases, information systems, networks and technology infrastructure -Train employees on IT and data capture
Develop a culture for continues business process improvement best practices and knowledge sharing	-Percent of employees improvement suggestion adopted		-Train employees on quality management system -Develop a database for knowledge sharing -Enhance teamwork -Conduct team building retreats

Source: Research Data