

**STRATEGY IMPLEMENTATION AT NAKUMATT HOLDINGS
LIMITED, KENYA**

BY

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DECLARATION

This Research Project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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DEDICATION

To my family for the support and understanding through out the entire period of this study. God Bless you.

ABSTRACT

Strategy implementation is a vital component of the strategic management process. Implementation involves putting into action the logically developed strategies. It is the summation of activities in which people use various resources to accomplish objectives of the strategy. The ability to implement strategies successfully is important to any organisation. Despite the importance of the implementation process within strategic management, this is an area of study often overshadowed by a focus on the strategy formulation process. This case study concentrates on the strategy implementation process, investigating how Nakumatt Holdings has been implementing the strategies they have chosen and the challenges to strategy implementation.

A review of the literature on strategy implementation revealed that there is limited knowledge on how strategies should be implemented. This study focuses on a case study of strategy implementation at a Nakumatt Holdings Limited Kenya, for purposes of establishing how the company implemented its strategies, the challenges it has faced and how it has managed to overcome the challenges to become one of the market leader in the Retail Industry in Eastern and Central Africa. This study involved focussed interviews with the Marketing Executive and the Operations Manager. Other sources of data such as research articles and secondary company data sources were also used.

The findings revealed that: participants from different levels of the organisation have unique perceptions of the implementation process; implementation variables could become roadblocks that undermine the implementation process; these barriers can be overcome if managers are perceptive to the organisation's current situation. Some of these barriers of challenges include. Poor communication in the organisation, having a rigid organisational structure, lack of training and lack of commitment from some of the managers.

The organisation has been able to overcome so of the challenges they faced and are still facing when implementing the strategies they have chosen by undertaking intensive and extensive training of its employees to equip them with the right skills and knowledge that

will ensure that they are able to handle the task assigned to them and give the desired results. Communication was also cited as a challenge to strategy implementation and this has seen the organisation develop and formulate ways of communicating the strategies using a simple language that will be understood by all. The Organisation has also strived to provide the relevant motivation , rewards and foster a good working relationship to ensure that the employees are well motivated hence they will be able very instrumental in the realisation of the chosen strategies.

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LIST OF ABBREVIATIONS

FMCG –Fast Moving Consumer Goods

CEO – Chief Executive Officer

KPI's – Key Performance Indicators

ISO – International Organisation for Standardization

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The sustainable survival of a business is difficult to achieve without the ability to implement effective strategies for dynamic business environments. Many companies develop strategies but may have a problem when implementing them. Strategies may either be intended strategy or emergent strategy and can be defined as the direction and scope of an organization over the long term which achieves advantages in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations.

Strategy should have the business domain, long term direction of an organization and the strategic fit and will define the company's mission, vision and will basically show the direction in which the organization is headed. Organizations whether for profit or non-profit, private or public have found it necessary in the recent years to engage in strategic management in order to achieve their corporate goals. The environment in which they operate in have become not only increasingly uncertain but also more tightly interconnected (Machuki, 2005). This has meant that managers are required to think strategically to cope with the change in environment and to develop ideas necessary to help in implementing strategies in this turbulent environment.

1.1.1 Strategy Implementation

Strategy implementation is one of the components of strategic management and it refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to achieve organisational objective (Pearce and Robinson, 1997).

The global competitive environment is very dynamic and at time unpredictable and in order for organisations to deal with the uncertainty good strategies have to be developed. Strategic management is about managing the future and effective strategy formulation is crucial since it directs the attention and actions of an organisation because in some cases the actual implemented strategy can be very different from what was initially planned. The assessment of strategy formulation processes becomes crucial for practitioners and

also for researchers alike in order to conduct and evaluate different formulation processes (Olson et al. 2005).

An important step in the strategic management process is implementation, which is how strategy formulation is put into place. Regardless of how good the formulated strategy is, the organisation will not benefit if it is incorrectly implemented hence the need to study strategy implementation with a view to making the process a success. In order for organisations to achieve their goals and objectives it is necessary for them to adjust to their environment (Pearce and Robinson, 1997) hence managers have the task of translating the organisations strategy into organisational action and move from planning their work to working their plans as they shift focus from strategy formulation to strategy implementation.

Alexander (1985) identifies inadequate planning and communication as two major obstacles to successful implementation of strategy. Converting strategic plans into actions and results tests a managers ability to direct organisational change, motivate people , build and strengthen company competence and competitive capabilities, create and nurture a strategy to meet the set performance targets. According to Thompson and Strickland (2007), strategy implementation can be considered successful if things go smoothly enough that the company meets or beats its strategic and financial performance target and shows good progress in achieving management strategic vision.

When implementing a strategy, it is important not to ignore the existing environment that range from organizational structure, cultural aspects, trends in the industry, human resources and organizational objectives. It is within the existing environment that clarity of the strategy and the intended results are communicated together with assigning responsibilities. Miniace and Falter (1996), affirm that communication is a key component for success within strategy implementation. Communicating with employees on strategy implementation is more often delayed until when plans to make changes have been made. This will in turn make the employees not take ownership of the implementation but begin to see the strategy as a management issue rather than an

organizational issue. Therefore organization should ensure consistent communication from strategy formulation to strategy implementation.

1.1.2 Nakumatt Holdings in Kenya

The retail Sector in Kenya and more specifically supermarkets in Nairobi can be traced back to 1975 when Uchumi supermarket Started. It operated as monopoly then: with ready market and little or no competition at all. Since then, other players have come on board: mainly Nakumatt Holdings Limited (which is leading in the retail Sector), Tuskys, and Ukwala among others. These supermarkets are mainly concentrated in major towns and in the Nairobi Central Business District.

A supermarket can be defined as “self service stores handling predominantly food and drug fast moving consumer goods (FMCG) with at least 150m² (1,625 sq.ft) of floor space, Nielsen (2002). In the recent years, Kenya has witnessed an increase in the number of supermarkets due to globalisation and urbanisation.

The growth of supermarkets in Kenya has been at a rate of 18% per year and they have increased from a niche in the mid 1990's to 20% of the urban food market in 2003.

Nakumatt holdings was established in 1987 as a small shop(family managed outlet) and has over the years grown from the small shop to a multimillion business empire with branches all the country and in east Africa. It is the largest retail outlet in east Africa having branches in Uganda, Rwanda and Tanzania. Nakumatt's stores formats range from supermarkets to hypermarkets which showcases distinct world class shopping floor layout and amenities. Currently the supermarket has 4000 employees. Its main competitors include Tuskys Supermarket, Naivas Supermarket, ukwala Supermarket, Uchumi Supermarket and chandarana Supermarket.

Nakumatt Holdings Limited East Africa's leading Supermarket. As the largest retail market player in East Africa, Uganda and Rwanda, Tanzania and still expanding to the wider East African region, Nakumatt has 30 stores dealing in general retail merchandise. All the branches hold a range of over 55,000 quality local and international products.

It is the leading company in retail market in Eastern and Central Africa .Nakumatt Holdings has in keeping with global standards managed to bag a string of internationally recognised awards and certifications.

The two dominant chains of supermarkets which are Uchumi and Nakumatt have about 70 per cent of the total supermarket market share (Weatherspoon and Reardon, 2003) with smaller supermarkets(Ukwala, and so on) combining to make 25 per cent of the market share. The strong strategic positions of Uchumi and Nakumatt have made it difficult for foreign competitors, particularly those from South Africa to enter the Kenyan Market.

Strategy implementation will be of great importance to the Company because in line with the current environmental changes and developments it will have to ensure that it adopts the right process to implement its strategy and ensure it remains relevant in the market amidst competition.

1.2 Problem Statement

Strategy implementation is usually a challenge to many organisations. Many companies develop good strategies that do not fully implemented due to various reasons. The success rate is very low. Only 10 to 30 percent of the chosen strategies get implemented Raps and Kauffman (2005). Companies do not find difficulty with formulation of a strategy; the difficulty comes with implementation as it is not easy to implement a strategy (Sterling 2003). As a result Sterling (2003) states that a study that was undertaken showed that only 30% of strategies are properly implemented by companies and this obviously needs improvement. Strategy implementation is an uphill task than strategy formulation because strategy implementation is more involving as it will usually include restructuring, changes in systems and processes, policy changes, changes in leadership among other factors. The successful implementation of strategy is a challenge since it demands alot of patience and goodwill from all those involved.

Nakumatt holdings Limited has been very instrumental in creation of job opportunities in Kenya and East Africa by creating employment for over five thousand employees. Nakumatt Holdings Limited has undertaken major strategy implementation that have involved corporate Social Responsibility, Branch expansion, change of leadership through embracing professionalism, extensive advertising to create awareness to consumers, creation of promotions to increase sales and also through acquiring other markets in Uganda , Rwanda and recently in Tanzania.

Extensive research has been done on strategy implementation in various industries in Kenya. Some of these studies include: (Catherine 2008) who studied Strategy Implementation at Kenya Commercial Bank, (Njau 2000) strategic responses by East African Breweries limited,(Aiko 2009) focused on what factors influence the development and implementation of strategy at GlaxoSmithKline, Koske (2003) looked at the challenges in strategy implementation in Public Corporations a case of Telkom Kenya, these studies found that strategy implementation was affected by many factors some of which are organisational factors like structure and culture and environmental factors such as competition. Munyao (2008) on the other hand showed the factors that influence corporate strategy development at Nakumatt Holdings Limited and from his findings some of the factors that influence strategy formulation include: profitability, growth, shareholder's wealth and utilization of resources. These studies focused on challenges on strategy implementation in various sectors while the later focused to how to come up with a corporate strategy and what factors will influence a company to come up with a corporate strategy. No study has been done in the retail market that seeks to show how companies in the sector implement their strategy hence this study will seek to fill the gap by seeking to answer the Following research questions: what methods have Nakumatt Holdings used to implement the strategies that they have chosen? What challenges is Nakumatt facing in strategy implementation? What measures has Nakumatt Holdings taken to overcome strategy implementation challenges?

1.3 Research Objectives

The main objective of this study were:

- i) To determine how Nakumatt has been implementing the strategies they have chosen.
- ii) To determine challenges faced by Nakumatt in strategy implementation.
- iii) To determine what measures Nakumatt Holdings has taken to overcome the challenges it has faced during strategy implementation.

1.4 Value of the Study

The findings of this study will be important to current and future scholars who may need to research on the challenges to strategy implementation within other supermarkets in Kenya. This will help them expand their knowledge and also identify areas of further research.

The study will provide the management of Nakumatt Holdings Limited with a picture of the challenges that they may face while implementing new strategies and also help the managers in preparing adequately for the future and also enable them to know how to develop strategies that will not fail once developed because they will know what implementation of strategies entails.

The government and regulators of the retail industry will also find the study useful because they will be able to know how policies they develop can affect the strategies developed by the competitors in the industry. The policy makers will also gain insight into what challenges the players in the market face and how they are able to overcome the challenges and hence remain competitive in the market.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

There is no agreed definition of strategy. Strategy is the direction and scopes an organisation over the long-term which achieves advantages for the organisation through configuration of resource within a changing environment to achieving the objectives of meeting the needs of the market and to fulfil stakeholders' expectations (Johnson and Scoles, 1999). According to (Quinn, 1980) strategy is the pattern or plan that integrates an organisations major goals, policies and actions sequences into a cohesive whole. Strategy is a plan, a sort of consciously intended course of action or a guideline to deal with a solution.

The concept of strategy revolves around deliberate attempts by an organisation to obtain sustainable long-term advantage in the delivery of expectations of stakeholders. Strategy is the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962). Strategy is a company's game plan and is key to organization's survival or extinction. Strategy reflects a company's awareness of how, when and where it should compete and for what purposes. it is the things that business do, the paths they follow, and the decisions they take in order to reach certain points and levels of success(Strickland and Thompson,1996).

According to David (1997), successful strategy formulation does not guarantee successful strategy implementation. Strategy implementation is more difficult than strategy formulation. Strategy formulation activities enhance the firm's ability to prevent problems; group-based strategic decisions are likely to be drawn from the best available alternatives. Involvement of employees in strategy formulation improves their understanding of productivity. 10% of formulated strategies are successfully implemented while 90% of well formulated strategies fail at implementation stage.

There are some commonly used models and frameworks such as SWOT, Industry Analysis and generic strategies for researchers and practising managers in the areas of strategy analysis and formulation in strategic management. By contrast, there is no agreed-upon and dominant and framework in strategy implementation. With this in mind (Alexander, 1991) states that one key reason why implementation of strategy fails is that practising executives, managers and supervisors do not have practical, yet theoretically sound models to guide their actions during implementation. Without adequate models, they try to implement strategy without a good understanding of the multiple factors that must be addressed, often simultaneously to make implementation work

2.2 Strategy Implementation

The ability to implement a formulated strategy is an important source of competitive advantage. Strategies are a critical element in organizational functioning but whereas most organisations have good strategies, successful strategy implementation remains a major challenge. The implementation of the chosen strategy is the action phase of the strategic management process which follows the other phase of strategy formulation, analysis of alternative strategies and strategic choice. The three alone cannot ensure success, the strategy must be translated into concrete action and that action must be carefully implemented (Pearce II and Robinson, 2002).

Robbins and Coulter (1996) have taken into consideration that no matter how effective a company has planned its strategies; it could not succeed if the strategies were not implemented properly. For a strategy to be worthwhile and benefit the organisation it has to be successfully implemented. Strategy implementation involves everybody in the organisation (Lynch, 2003). The more ineffective the top management's decisions, the more ineffective are the choices made at lower levels of management. Similarly if tops management strategic choices tend to be successful, it reflects favourably on choices made in other parts of the organisation.

Implementation is viewed by Thompson and Strickland (1989), as acting on what has to be done internally to put the formulated strategy into place and achieve the targeted

results. This process might involve changes in the overall culture, structure and management systems of the organisation. Its purpose is to complete the transition from strategic planning to through the relevant systems. Simons and Thompson (1998) referred to three categories of factors that affected strategic decision-making process; environmental factors will mean external agents such as national culture, natural economic conditions and industry conditions. Organisational factors refer to organisational structure, organisational culture, structure of decision making of board of directors, impact of upward influence and employee involvement; Decision-specific factors can be explained as time, risk complexity and policies.

According to Porter (1979), strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses then develop a plan of action that may include first positioning the company so that its capabilities provide the best defence against the competitive force and second, influence the balance of the forces through strategic moves thereby improving the company's position and thirdly anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognise it.

Once strategies have been developed, they will need to be implemented unless they are successfully implemented an organisation cannot obtain desired results. According to Pearce and Robinson (2002), shifting from strategy formulation to implementation gives rise to three interrelated concerns namely, identification of measurable, mutually determined annual objectives, developments of specific functional strategies and communication of concise policies to guide action.

Lynch and Cross (1995), identify three criteria that must be met by performance management systems if they are to effectively mediate between an organization strategy and its day – to-day activities. These necessary conditions comprise; that the system must explicitly link operational targets to strategic goals; it must integrate financial and non-financial performance information; and the systems should focus business activities on

meeting customers' requirements. It is asserted that the balanced scorecard model fundamentally meets all of the criteria by providing a "truly strategic control system" (Mooraj et. Al., 1999 pp.486) that puts strategy and vision at the Centre.

Successful strategy implementation, it is suggested, requires sound mechanisms for directing activity and behaviour Goold (1991), especially including effective communication systems as well appropriate strategic and management controls. The balanced scorecard's four perspectives as manifested in Kaplan and Norton's (2004) strategy maps provide "a level of granularity that improves clarity and focus" thereby creating clear direction and potentiality through the development and coordination across the organization.

Strategy implementation is directly related to organizational change because all organizations resist change and try to maintain status quo even if it yields unsatisfactory performance (Miller, 1997). To redirect an organization many overlapping and related issues need to be addressed as the resulting impression of needing to change "everything at once" can be overwhelming. Waterman et.al, (1980), argued that effective strategy implementation is essentially attending to the relationship between the following seven factors; strategy, structure, systems. Staff, skills and subordinate goals. Although they defined each of these factors, they did not provide clear examples and explanations for the relationships and interaction between the factors.

Organisational Culture is a set of assumptions that members of an organisation share in common. Implementation of new strategy will be concerned with adjustments in the structure, employees, systems and style of doing things in order to accommodate the perceived needs of strategy (Pearce and Robinson, 2007). Wehrich and Koontz (1993) look at culture as the general pattern of behaviour, share beliefs and values that members have in common. Culture can be inferred from what people may do and think within an organization setting. It involves the learning and transmitting of knowledge, belief and patterns of behaviour over time. This means that organization culture is fairly stable and

does not change fast. It sets the tone for the company to establish rules on how people should behave.

Organisation structure on its own is not sufficient to ensure successful implementation of a strategy, effective leadership and management is required. In a competitively chaotic environment one essential contribution of a strategic leader is to provide and share a clear vision, direction and purpose for the organization (Thompson, 1997). The role of the Chief Executive Officer (CEO) is fundamental because a C.E.O is seen as a catalyst closely associated with and ultimately the success of a strategy hence the right managers must be in the right position for effective implementation of a new strategy (Jones and Hill, 1997).

Motivating and rewarding good performance for individuals and units are key success factors in effective strategy implementation (Shirley, 1983). Organizational rewards are powerful incentives for improving employees and work group performance. It can also produce high levels of employee satisfaction. Reward systems are used to maintain desired levels of performance. To the extent that rewards are available, durable, timely, visible and performance contingent, they can reinforce and support organizational goals, work designs and employee involvement.

Hence each implementation situation occurs in a different context affected by differing business practices and competitive situations, work environment and cultures, policies. Compensation incentives and a mix of personalities. The process of strategy implementation is therefore people based and not organization based.

2.3 Challenges of Strategy Implementation

Successful strategy formulation does not guarantee successful implementation .It is always more difficult to do something that is strategy implementation than is say you are going to do at, strategy implementation (David, 1997). The major challenge of strategy implementation in an organization is the failure to translate statements of strategy purpose into identification of these factors critical to achieving their objectives and the

resources and competencies which will ensure success .For successful implementation the organization should be able to allocate resources and control performance in line with the strategy (Daft, 2000).

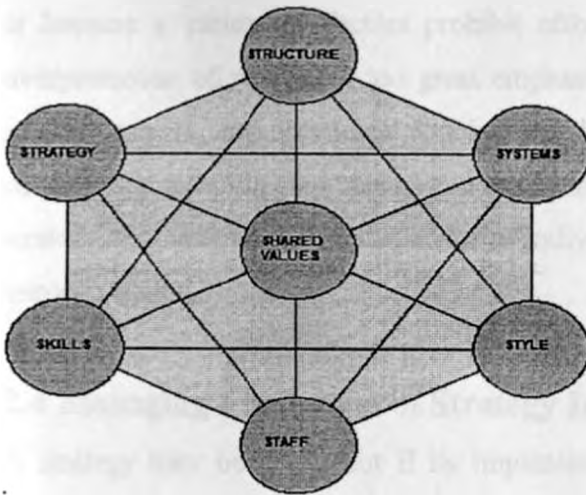
Al-Ghamdi (1998) claims that an overwhelming majority of the literature has been on the formulation side of the strategy and only lip service has been given for implementation. The most common problem experienced in strategy implementation in most cases is lack of communion. According to Wang (2000), communication should be two way so that it can provide information to improve understanding and responsibility to motivate staff.

Al-Ghamdi (1998), identified barrier to strategy implementation which include: competing activities that destruct attention from implementing the decision; changes in responsibilities of key employees not clearly defined; key formulator of the strategic decision not playing an active role in implementation; problems requiring top management involvement not being communicated early enough; overall goals not sufficiently defined; information systems used to monitor implementation are inadequate; overall goals not sufficiently understood by employee; uncontrollable factors in the external environment; surfacing of major problems which had not been identified earlier; advocates and supporters of the strategic decision leaving the organization during implantation and implementation taking more time than earlier allocated.

The McKinsey 7s model has identified seven factors that if not considered while executing a strategy might make it ineffective. According to Peters and Waterman (1982) the seven factors have to be in balance in an organization and need for it harmonized with each other. This model centres on balancing staffing structures and the objectives of the organization

Diagram 2.1 McKinsey's 7S Model

McKinsey "7S" Model



Source: Peters, T. and Waterman, R. (1982) "In Search of Excellence", New York, London: Harper and Row.

Okumus (2003) found out that the main barriers include lack of coordination and lack of support from other levels of management and resistance from lower levels and poor planning activities. Culture is another challenge to strategy because implementation of strategy often encounters rough going because of deep rooted cultural biases. This is because they see change as threatening and tend to favour continuity and security (Wang 2000). It is the responsibility of those formulating a strategy to choose a strategy that is compatible with the prevailing corporate culture.

Organizational politics is also another challenge in strategy implementation because organizational politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interest (Hill and Jones 1999) because they may regard change caused by new strategy as a threat to their own power (Wang 2000).

Lack of resources or resource insufficiency is another challenge to strategy implementation. David (1997), argues that allocating resources to a particular division and departments does not mean that strategies will be sufficiently be implemented. This is because a variety of factors prohibit effective resource allocation. They include overprotection of resources, too great emphasis on short non financial criteria, vague strategy targets, organizational policies and lack of sufficient knowledge. Therefore strategy is about managing change and resistance to change which is the greatest threat to strategy implementation. The behavior of individuals determines the success of strategy implementation.

2.4 Managing Challenges of Strategy Implementation

A strategy may be good, but if its implementation is poor the strategy may not be achieved. Successful strategy implementation will usually involve empowering others to act in doing all the things needed to put the strategy into place and to execute it proficiently (Thompson and Strickland, 1998). Successful implementation in part involves preventing implementation problems from occurring in the first place (Alexander, 1985). If such problems occur during implementation, then quick action should be taken to solve them.

Organizations have at least four types of resources that can be used to achieve desires objectives namely; financial resources, physical resources, human resources and technological resources (David, 2003). The operating level must have the resources needed to carry out each of the strategic plan (Harvey, 1998).

Organisation structures also influence the types of strategy to be used by an organization. An organization structure is the formal framework by which jobs tasks are divided and coordinated (Robins and Coutler, 2002). A good organizational structure will help people work together and hence promote effective implementation of strategy. Organizational culture refers to the set of important assumptions (often unstated) that members of an organization share in common (Pearce and Robinson, 1991). It will include the norms and values that the people of the organization hold dear. Culture may hinder smooth

implementation of strategy by creating resistance to change. Aosa (1992), stated that it is important that the culture of an organization be compatible with the strategy being implemented because where there is incompatibility between strategy and culture, it can lead to a high organizational resistance to change and demotivation which in turn can frustrate the strategy implementation effort

Leadership and good leadership is needed for effective implementation of strategy because this will ensure that the organization effort is united and directed towards achievement of its goals (Pearce and Robinson, 1988). The leadership of any organization should be at the fore front in providing, vision, initiative, motivation, guidance and inspiration. The leadership and in overall the management should cultivate team spirit and act as a catalyst in the process of strategy implementation.

Proper systems and structures must be in place for successful strategy implementation. Systems refer to the formal and informal procedures used to manage the organization, including management control system, performance measurements and reward systems, planning and budgeting and resource allocation and management information systems (Kaplan, 2005). These activities need to be carried out efficiently because they reinforce the implementation of strategy to ensure the whole process is a success.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a case study at Nakumatt Holdings. Kothari (1990), defines a case study as a very popular form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit is a person, a family , an institution or the entire community. This research design was used because it involved collecting data in order to answer questions concerning the current status of the subjects in the study and sought to answer the questions who, what, where, when and how.

This design was justifiable because it compared the quantitative reasoning of a sample and was representation of the whole population hence minimum bias. Descriptive survey makes standardized measurement more precise by enforcing uniform definitions upon the respondents. Standardization ensures that similar data will be collected from groups then interpreted comparatively. Descriptive survey was also appropriate for this study because it collected data from many samples that can be compared in terms of demographic factors. The researcher opted to use this kind of research considering the desire of the researcher to obtain first hand data from the interviewee so as to formulate rational and sound conclusions and recommendations for the study.

3. 2 Data Collection

The study used both primary and Secondary Data. Primary Data was collected using an interview guide which was used to get information about strategy implementation at Nakumatt Holdings Limited. The interview guide comprised of both open ended and closed ended questions. The interviewees were the Marketing executive, Operations Manager and the Customer Service Executive. These were chosen because they the heads of the Marketing Department, Operations Department and Customer Relations Departments respectively and they were in a good position to give appropriate information because for Nakumatt Holdings being in the retail Industry most of their strategies are more marketing and Customer Oriented and hence these will be important to giving first hand information regarding strategy implementation. The interview was

conducted at the interviewees' place of work. Secondary data was collected from the company's analysis of strategies implemented and monthly reports sent from branches to the Head Office.

3.3 Data Analysis

Data collected in this research was qualitative in nature and was analyzed using content analysis. Content analysis enabled the researcher to sift through large volumes of data with relative ease in a systematic fashion. Content analysis provides an empirical basis for monitoring shifts in public opinion. Data collected from the mission statements can be objectively compared to data collected at some point in the future to determine if changes have occurred.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The research objective was to establish any challenges faced and to determine how Nakumatt Holdings Limited has responded to the challenges established. The first section will cover the demographic information of the interviewees and why they were chosen for this study. The second section of this chapter will cover what method or what ways Nakumatt Holdings has used in strategy implementation. The third section will cover the challenges that Nakumatt Holdings Limited has faced when they are implementing the chosen strategy and what ways and measures that Nakumatt Holdings Limited has taken to tackle and handle the challenges they are facing when implementing the strategies to ensure that they are able to achieve the goals set and ensure full realisation of the strategy.

4.2 Demographic Data of Respondents

The interviewees consisted of the customer service executive, marketing Executive and operations manager. The researcher did not interview all the respondents because the customer service executive was out of the country at the time of the interview. All the interviewees have had adequate experience on the how the organisation has gone about implementing the chosen strategies, challenges facing strategy implementation and the ways to respond to the challenges established because all the interviews have worked in the organization for more than 3 years. The level of education that an individual has achieved helps an individual to carry out tasks assigned to them without much supervision because an employee is an asset to any organization. The interviewees' level of education was at least a diploma certificate. With this solid background, it was felt that the interviews were knowledgeable on the research subject and thus were of great help in realization of the research objectives.

4.3 Strategy Implementation at Nakumatt Holdings Limited.

Strategic decisions are ones that are aimed at differentiating an organization from its competitors in a way that is sustainable in the future. Porter (2002) strongly advocates that decisions in business can be classified as strategic if they involve some innovation and difference that results in sustainable advantage. Porter (2002) states that combination of operational effectiveness and strategy is essential for superior performance which is the primary goal of any organization. He also says that a company can perform its rivals only if it can operate in different ways which are not in practice. In order to establish how Nakumatt Holdings Limited implements the chosen strategies the main factors responsible for strategy implementation process were identified. Key among the factors where how the company goes about implementing the chosen strategy, the role played by the organization structure, culture and skills possessed by the management in strategy implementation. The study went further to establish what challenges hinder successful strategy implementation and what ways the retail outlet has adopted to overcome the implementation challenges.

The study first sought to establish some of the strategies that Nakumatt holdings limited has successfully implement over the last ten years and some of the strategies include, introduction of the smart card loyalty scheme to reward shoppers to each shopping they do at the outlet and the customers are able to redeem the accumulated smart points in future, use of the one price policy for all its outlets this ensures that regardless of which branch the customer goes to the pay the same price for the same product countrywide, introduction of hyper stores that offer a wide variety of commodities for shoppers to choose from, the 24 hours shopping experience to cater for the different lifestyles of each customer, re- branding of the organization to ensure that customer can identify with the brand and introduction of the gift card and gift vouchers.

The study established that the retail outlet has a strategic planning period which requires the input of the members of the top management team and the company directors. The top management comprises of departmental heads and the regional managers. Once the strategy has been developed a pilot test is usually done, this is done in two branches

namely Nakumatt Embakasi and Nakumatt Ukay to establish how it will affect the normal operations of the business and also to gauge customer responses before it is rolled out to other branches. During the pilot test, the management is able to identify any areas that need improvement and act on them before the strategy is implemented in other branches.

4.4 Challenges Facing Strategy Implementation at Nakumatt Holdings Limited

One of the objective of the study was to determine what are the challenges that Nakumatt Holdings Limited has faced in strategy implementation because formulating appropriate strategy is not enough because for effective strategy implementation the chosen strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources which include the human resource and leadership. All the interviewees highlighted a number of challenges to the strategy implementation process. The challenges were pointed out despite the interviews having high level of experience, professional competencies and a high degree of commitment towards efficient and effective strategy implementation. The challenges range from institutional, cultural, behavioural, internal and external to the organization.

The study established that some aspects of organization culture and structure affected strategy implementation. The research company is comprised of employees who have worked for a number of years ranging from 1 year to 20 years. A specific shared culture therefore exists in terms of an understanding of how things are done within the company. Some employees tended to be over relaxed at work and lacked the motivation to operate effectively towards required targets.

An organization should be structured in such a way that it can quickly respond to environmental pressure to change and pursue any appropriate opportunities which are spotted. In the case of Nakumatt Holdings Limited, the interviewees pointed out that due to the major strategic moves being set at the head office then relayed to the branches, the response structure has been slow and in some cases lead to the loss of opportunity. This is

because the organisation has a high level of bureaucracy where matters raised have to follow a certain procedure before an agreement is reached and it is usually a long process since most of the decisions have to be made at the Head Office by the Directors and employees are rarely involved. It is therefore important that in designing the organizational structure and making it operational key aspects such as empowerment and communication process are considered.

The interviews also pointed out that communication is very vital role in the implementation of any chosen strategy. The interviewees indicated that where proper communication of the chosen strategy was done, implementation was much more efficient than where the strategy was not well communicated. They indicate that communication of the chosen strategy was done through various ways which include: company newsletter, morning briefing by branch managers, monthly meetings and through internal trainings and internal memos. The interviews also indicated that where the strategy documents were complex to understand even though availed to the staff, the employee did not own the strategy as they felt that it was being imposed on them hence the need to use a simple, understandable language to convey the strategy chosen so that it is well understood by all and create a shared common vision and goal.

Hitt et al (2005), describe resources in terms of three categories: “physical, human and organizational capital which includes capital equipment, the skills of individual employees, patents, finances and talented managers”. The resource alone may not form a competitive advantage but when the set of resources perform tasks in an integrative manner then they form the organization’s capability. According to Hitt et al (2005), an organization’s unique resources and capabilities provide the basis for a strategy. Lack of adequate resources whether financial, technological or even human resources was also pointed out as a hindrance to successful strategy implementation. The study established that there was a relationship between the various activities to be undertaken to implement the chosen strategy and the resources required (financial and human resources) because some of strategies to be implemented will require a lot of capital to implement and where there are limited resource especially finances , implementation of the strategy will be

affected. The rate of turnover of the human resources at Nakumatt Holdings Limited was also highlighted as a factor that contributes to the organization lacking adequate resources to help in implementing the strategy.

Successful execution of a strategy depends on individual members of organization especially key managers and the leadership that they offer. The role of middle managers is therefore significant for effective people management and effective communication towards effective strategy implementation (Aaltonen and Ikavalko 2002). Middle managers are crucial as they are the subordinates to carry out the instructions on strategy from top management and they are superiors to the employees to ensure implementation of the strategies by the employees. Motivating and rewarding good performance for individuals and units are key success factors in successful strategy implementation. Organizational rewards are powerful incentives for improving employee and work group performance. It also creates high level of employee satisfaction. The interviewees mentioned that some of the managers have not been enthusiastic enough in implementing some of the strategies and coming up with strategies to counter the challenges that the firm faces and this has in turn hampered their success hence the right managers must be in the right positions for effective implementation of a new strategy and ensure rewards go hand in hand with performance.

Successful implementation of strategies requires an adequate information system to monitor the implementation process in order to ensure that plans get carried out as planned. It was established that the company has established internal systems for employees e.g. telephones, emails and the intranet to report on how the implementation process is going on. Customers have feedback box at all branches where they are able to put up suggestions on the chosen strategy, how they would like the strategy modified and or how the strategy to be implemented has affected or influenced their lives.

Throughout the interviews, it was evident that the organization was distinctively and visibly given strategic direction by its directors. The interviewees also pointed out that some policies in the organization acted as a stumbling block towards effective strategy

implementation and the prevailing economic conditions such as inflation were also pointed out to be hindering strategy implemented.

4.5 Measures Adopted for the Challenges

Strategy implementation is about managing change and resistance to change can be considered the greatest threat to successful strategy implementation by organization. In as much as manager approach need to be tailor-made for each situation there are certain bases that have to be covered no matter what the organizations circumstances. These includes building an organization capable to carry out the strategy successfully, developing budgets to allocate adequate resources to those activities that are critical to strategic success, establishing strategy supportive policies and procedures installing information, communication and operating system that enable company personnel to carry out their strategies roles.

The interviewees confirmed that the organization has inherited structured and standardized key performance indicators (KPI's) and tracking tools that keep abreast all the staff concerned on how far they had achieved or deviated from the targets. In addition embedding individuals staff development requirements in the yearly approach have also been found to be effective in the process of providing the staff with the necessary tools for implementing the strategy.

In order to make the strategy a success it has been essential to get managers and employees to "buy in" to the change. This has involved training sessions, leadership meetings and web conferences for all managers. Other employees have been included through awareness raising workshops, online training courses, features on the company intranet, emails and posters .This has seen Nakumatt holdings limited has also embarked on training its employees on the new products and services that will be vital in implementing the chosen strategy. The extensive training also included customer relationship management where skills such as problem solving, customer relation interpersonal skills, team dynamics and teamwork were provided. This was performed and is still begin performed to equip the employees with the necessary skills

that they need. After the training sessions the employees were assisted in utilizing the skills learnt in the real warning situations.

The interviewees also highlighted the challenge of leadership whereby the people that held to position had poor leadership skills. Managers strive hard to make their organizations unique, distinctive and identify key success factors that will drive the customers to buy their products. Thus, firm specific resources and capabilities are crucial in explaining the firm's performance. The Resource Based View (RBV) explains competitive heterogeneity based on the premise that close competitors differ in their resources and capabilities in important and durable ways. The management of Nakumatt holdings, has been able to deal with this challenge by hiring of experts to engage senior management on the need for change in addition they proposal that retreats for senior management to discuss the need for strategy implementation. Nakumatt has also managers to organize leadership training sessions. To instil a set of management competencies to the manager so that they are able to deliver competitively and the best performing individuals and branches are identified and awarded.

The implementation of the any new strategy requires that proper employees be recruited to carry out that strategy alternatively employees should be provided with skills and knowledge to implement it. Nakumatt Holdings Limited was forthright in its efforts to train and develop employees in the form of educational training and quality training courses these training methods assisted the employees to read and carry out the operational instructions with a resultant improved level of productivity.

The organisation has been able to raise their quality procedures manuals and have gone ahead to become ISO certified. The improvement of their quality procedures has ensured that all the resource required whether financial or human are well equipped with the right competencies. The quality procedures have ensured that qualified and competent staff with the relevant skills are recruitment and developed. D the improvement of the quality procedures has seen the company review the human

resource manual to address staff matters and hence this has ensured that management allocate staff work according to the competencies.

The interviewees also pointed out that the organisation structure is top-down structure and that the organisation was good for controlling the activities of the organisation. It has impeded its decision making process because the structure was slow because even if an employee had an idea that would be helpful in implementing the chosen strategy, it would be difficult to adopt such an idea because it has to go to the management for approval which is a long process hence leading to loss of opportunity. The interviewees pointed out that the organisation is trying to reduce the level of bureaucracy by empowering the employees and enhancing the communication channels available. Okumus (2003), proposes that multi modes of communication should be used to send out both formal and informal messages about the strategy to be implemented.

The organizational culture of the organization is also a powerful aspect of that may affect strategy implementation in organization and Nakumatt has managed to develop core values that the employees are able to associate with and feel that they own the strategy and that they are part of the team. These values are quality, value, service, variety and lifestyle and the employees are able to identify under the company values. The alignment of organizational structure to strategy affects the shape, division of labour, job duties and responsibilities, the distribution of power and decision-making procedures within the company.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study findings where the main objectives were to determine total strategies Nakumatt Holding has implemented in the last ten years, the challenges that they have faced in implementing the strategies and how they have managed to deal with and overcome the strategies. This chapter represents the conclusion and recommendations of this case study. Firstly a summary of the case study is presented. This is followed by recommendations for further research in the area of strategy implementation following this case study.

5.2 Summary of Findings

The study revealed that since Nakumatt Holdings was established, it has implemented various strategies successfully that have managed to place it was the market leader in retail industry and managed to maintain their competitive edge despite the entry of new players into the industry.

The introduction of the loyalty scheme program to award shoppers for shopping at Nakumatt outlets has increased customer loyalty which translates to increased revenue through increased sales. The shoppers are able to redeem the accumulated points at a given time for shopping or even use the smart points to pay school fees. The introduction of the 24hour shopping experience has enabled customers shop at their most convenient time without feeling the pressure to rush shop before the closing time.

Having a one price policy for all the Nakumatt breaches countrywide is also another strategy that Nakumatt has been able to implement successful. This policy ensures the same commodity sells for the same price at any outlet hence customers are able to plan their budget irrespective of which Nakumatt outlet they shop out.

There were several challenges encountered by the organization when it came to strategy implementation. These include an inflexible organisation structure that was rigid and lead to loss of opportunities because the decision-making process was slow. Lack of leadership skills and management commitment because some of the managers lacked the necessary skills that they required to carry out the tasks assigned to them. It was also noted that some of the managers were afraid of change and were comfortable with the status quo hence the need for leadership training to impact the relevant skills to the managers.

Lack of resources and poor communication were also challenges that affected and slowed down the implementation of strategy because limited resource will affect some vital activities hence showing the implantation process. Unclear communication was a challenge because if the strategy is not well communicated the employee will not buy in to the strategy but will see the strategy as being imported on them hence they felt not part of.

Strategy implementation is about managing change and resistance to change can be considered the greatest threat to successful implementation. The study found out that before a strategy is to be implemented, it is communicated to all employees and a pilot-test is carried out on one of the outlets branches to check its viability and how customers will respond to the strategy being implemented. Nakumatt Holdings Limited offers training to its employees both at the junior level and at the management level whereby for management there is involvement of experts to impart leadership skills to the management and create a shared vision. The introduction of Key Performance Indicators (KPI's) has also enhanced performance because employees are rewarded based on individual performance and overall performance of the branch. The rewarding of individual performance has also acted as a motivation to the employees thus increasing the levels of employee satisfaction.

The study also found out that Nakumatt Holdings Limited is enhancing the channels of communication because employees are being empowered to make decisions, there is

delegation of duties thus the need to have a good communication network in the entire organization to ensure that feedback whether negative or positive flows freely within the organization and also that information is received and sent on a timely basis without delay to ensure problems are solved promptly to eliminate delays in implementation of the chosen strategy.

5.3 Conclusions of the Study

From the research findings and answers to the research questions, some conclusions can be made about the study. Strategy formulation and implementation is very vital for the functioning of any organization. Strategy implementation is an ongoing process due to the dynamic changes in the business environment which have now been complicated by globalization. Organizations are encouraged to continuously improve their skills in strategy implementation in order maintain a competitive advantage. The strategy implementation process normally requires much more energy and time than the mere formulation of the strategy. The design of the strategy should inspire the staff to perform and not deter them and therefore the management should ensure that the strategies which they set to achieve are inspirational. The frequency of communicating the strategies to be implemented is so crucial to the achievement of the strategy and therefore feedback should be done regularly to ensure that in case a strategy is lagging behind some other means can be done to ensure that it succeeds.

The organizations management should put in place mechanisms which should address the factors hindering the pace of implementation. The major challenges encountered in the process of strategy implementation are poor team work, lack of adequate resources, lack of ownership of the strategic plan, high staff turnover, poor communication channels and a non-qualifies leadership.

However, despite the many possible challenges that can face an organization in implementing its strategy, an organization structure should be flexible enough to adjust quickly to any changes in the environment. The organization should be able to retain its qualified staff as they help the organization achieve its objective. This can be through

provision of adequate training and development programs, good working conditions and competitive remuneration packages.

5.4 Recommendations for Policy and Practise

This study makes a few recommendations that have policy implication for decision makers. Strategy implementation should not be viewed as a one-off process; the management should inculcate a practice of regular reviews and reference making of the strategic plan throughout the lifespan. The study found out that employees were not involved in strategy formulation but were expected to implement the strategy. It is therefore recommended that representatives of all cadre of employees be involved in the formulation of the strategy and this will go a long way in ensuring successful implementation as the employees will own the strategy.

The organization needs to consider reducing on the bureaucracy in the organization structure and recognize the fact that the necessary tools for successful strategy implementation as managers and employees are empowered to act and take decisions without having to follow a long – procedure which causes loss of opportunities.

There is need for the management to be proactive in matters pertaining strategy implementation, they should develop mechanisms for monitoring changes in the market and hence develop strategies that will help them maintain their market share and remain as the market leaders. The organization also needs to invest in modern technology to ensure quality control of strategies to be implemented to ensure they maintain the standards. There is no one size fits all solution for strategy implementation but it is important to know that the same weight should be placed on strategy formulation and implementation as the two go together. Strategy implementation techniques are developed and included in the strategy formulation process already. Periodic strategy planning sessions are therefore advisable so as to be proactive in the efforts to sustain competitive advantage.

5.5 Limitations of the Study

The study focused only on the strategy implementation aspects of the strategic management process. Thus it did not focus on the formulation as well as the control, monitoring and evaluation aspects. These are important component parts of the strategic management process and should therefore not be ignored.

The study depended on interviews with the management of the organization; it would have been of value to obtain the views of the organizations customers and other stakeholders in the firm. The scope and depth of study was also limited by time factor and financial resources constraints. This put the researcher under immense time pressure.

5.6 Recommendations for Further Research

The study confined itself to Nakumatt Holdings Limited Kenya which is only one player in the retail industry. The study should be replicated in other players in the retail industry and the results compared so as to establish whether there is a consistency on the challenges and measures taken when they are implementing strategies.

The research was not concerned with how successful the company was in implementing its strategy as the company itself was not measuring itself against any a yardstick but was satisfied with achieving the goals it had set for itself hence there was no comparison with other organizations hence a study can be done to come up with a yardstick against which the company can bench mark its success.

Further research could be undertaken with regard to how best to keep employees motivated during times of recession. The difficulty experienced by companies during times of recession is that they are faced with the dilemma of cutting costs to the company and also keeping the employees' remuneration at the same level so as to provide for their financial obligations. Further research would assist companies to know what strategies to implement to motivate their employees to remain focused during times of recession so as to look to a positive future.

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APPENDIX 1: Interview Guide

SECTION A:

Name of Interviewee: _____

Position Held: _____

Length of service in the organization: _____

Level of education: _____

Number of Years in Current Position: _____

Department: _____

PART I

1. What are some of the strategies that Nakumatt Holdings Limited has implemented in the last 10 years?
2. For each of the chosen strategy, how does the company go about implementing the chosen strategy?
3. Does the current organizational structure support strategy implementation?
4. Does Nakumatt Holdings Limited have a policy Manual on how to implement the chosen strategy?
5. Does the management of Nakumatt Holdings Limited have the necessary skills required to enable successful strategy implementation

SECTION II

Organizations face various challenges in their pursuit to implement strategies. Bearing this in mind, what is the experience of Nakumatt Holdings Limited on the challenges that it has faced in strategy implementation (Give at least 3)

What factors do you consider to have contributed to successful strategy implementation in your organization? (Give at least 3)

How is information regarding the new strategy communicated to the employees in the organization?

How often is feedback on strategy implementation communicated?

What factors may have influenced the speed of implementation of strategy at Nakumatt Holdings Limited?

What factors have influenced the choice of information System for implementation of strategy at Nakumatt Holdings Limited?

What other strategy implementation challenges has Nakumatt Holdings Limited faced or is still facing. Name some of those challenges.

SECTION III

Management of the strategy challenges.

6. How has Nakumatt Holdings Limited managed to overcome the challenges? Give measure that the company has taken.



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DATE..... 5/09/2011.....

TO WHOM IT MAY CONCERN

The bearer of this letter... MARY NTHENIA MBITHI.....

Registration No..... D61/60103/2010.....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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 your assistance to enable him/her collect data in your organization.

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.

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