

**STRATEGIC PLANNING PRACTICES AT NATIONAL
CEREALS AND PRODUCE BOARD IN KENYA**

BY

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A Management research project submitted in partial fulfillment of the requirements for the award of the Degree of Master of Business Administration (MBA), School of Business, University of Nairobi.

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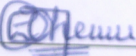
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DECLARATION

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

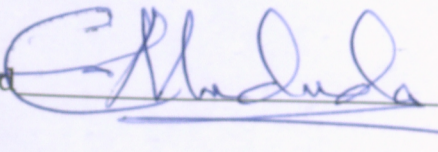
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Date 12TH FEBRUARY 2010

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

Signed



Date

13-2-10

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DEDICATION

To my loving husband Mr. Benard Tonui and children - Brian, Stacy and Raymond. You are the wind beneath my wings, the reason I can fly.

ACKNOWLEDGEMENT

My sincere gratitude goes to the almighty God for his wisdom and guidance during the entire period of study. Without Him, I wouldn't have come this far.

I am sincerely grateful to my supervisor, Mr. E. Mududa for his understanding, constructive criticism and relentless guidance throughout the period.

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My heartfelt gratitude also goes to my parents – for their prayers, encouragement and unlimited support during the whole MBA programme.

I would like to express my gratitude to my respondents – Senior Managers at NCPB for finding time out of their busy schedule. Their invaluable input went a long way in making the study a big success.

To my classmates: Phyllis, Lillian and Rebecca. Thank you for being the driving force when I was at the verge of giving up.

GOD BLESS YOU ALL.

ABBREVIATIONS:

- NCPB - National Cereals and Produce Board
- SGR - Strategic Grain Reserves
- FRS - Famine Relief Stock

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ABSTRACT

This was a case study of National Cereals and Produce Board. The objective of the study was to determine the strategic planning practices and the challenges that National Cereals and Produce board face in pursuit of the same. The data collection instrument used was an interview guide. Personal interviews were administered to five members of staff who hold key positions at NCPB. Data was analyzed using content analysis since the study was qualitative in nature.

All the respondents indicated that the strategic planning process is systematic and comprehensive. Strategic planning at NCPB is distinctly formal with well defined roles and responsibilities assigned to the key players. The Research and Development unit is charged with taking the leadership role and championing the whole process. The approach used is participatory and this allows for ownership and commitment towards the process. The process is beset with challenges, some of which are beyond the control of the organization, such as the political/government interferences.

From the findings, it was recommended that the process need to be cascaded downwards at an early stage so as to encourage more commitment towards the implementation and speed up the whole process.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In designing an environment for the effective performance of individuals working together in groups, a manager's most essential task is to see that everyone understands the group's purposes and objectives and its methods of attaining them. If group effort is to be effective people must know what they are expected to accomplish. This calls for strategic planning. It bridges the gap from where we are to where we want to go. It is an intellectually demanding process that requires that we consciously determine course of action and base our decision on purpose, knowledge and considered estimates.

According to Mintzberg, Quinn and Ghoshal (1999) environment does not change on any regular or orderly basis. Likewise it seldom undergoes continuous dramatic change. The real challenge in crafting strategy therefore lies in detecting the subtle discontinuities that may undermine a business in the future. Institutions may practice strategic planning in various ways ranging from how they do the situational analysis, defining the company's vision and mission and how they come up with strategic objectives.

Organizations are dependent on their environment and environments are dynamic, new organizations enter and exit, and the supply of resources becomes scarce. When environments change, organizations face the prospect either of not surviving or changing their activities in response to these factors. Therefore, in order to survive and become effective, an organization must be capable of making adaptations to the changing situations (Ansoff, 1990). It is due to these continuous changes that organizations need more powerful management process like strategic management to cope successfully. Strategic management also emphasizes on the development and maintenance of meaningful assets and skills and the selections of strategies and competitive arenas such as those assets and skills that form sustainable competitive advantage

1.1.1 Strategic Planning Practices

The future is inherently unpredictable. It is not possible to forecast the future accurately. In the real world the only constant is change. Even the best laid plans can fall apart if unforeseen contingencies occur (Hill and Jones, 2001) Planning is essential to provide direction and to help ensure that the appropriate resources are available where and when they are needed for the pursuit of objectives. Sometimes the planning process is detailed and formal; on other occasions planning may be informal, unstructured and essentially 'in the mind' (Thompson, 1997)

Formal strategic planning systems are most useful in stable conditions. Environmental opportunities and threats are forecast and then strategies are planned and implemented. Strategies which are appropriate, feasible and desirable are most likely to help the organization achieve its mission and objective. Planning is part of an ongoing continuous activity which addresses where the organization as whole or individual parts of it should be going.

Thompson (1997) elaborates that when managers and organization plan strategies, they are seeking to be clearer about the business(es) that organization is in and should be in, increase awareness about strengths and weaknesses, be able to recognize and capitalize on opportunities and to defend against threats and finally to be more effective in the allocation of resources. Engaging in planning process can be valuable since it helps individual managers to establish priorities and address problems. It can bring managers together so that they can share their problems and perspectives. Ideally the result will be improved communication, coordination and commitment.

Planning disciplines managers to look ahead and to express goals. Long term planning encourages longer time horizons and eases the evaluation of short term plans. They create a psychological backdrop and an information framework about the future against which managers can calibrate short

term interim decisions (Mintzberg et al, 1999). Strategic planning focuses on the market environment facing the firm. Thus, the emphasis is not only on projections but also on an in-depth understanding of the market environment, particularly the competitors and customers (Aaker, 1998). The hope is not only to gain insight into current conditions, but also to be able to anticipate changes that have strategic implications. Strategic planning is largely based on a periodic planning system, usually an annual system. The periodic planning cycle does provide a time in which managers must address strategic questions. Without such a device, artificial though it may be, even managers who realize the importance of strategic thinking might find their time absorbed by day-to-day operations and crisis.

1.1.2 National Cereals and Produce Board in Kenya

The origin of National Cereals and Produce Board can be traced back to the early 20th century when farmers, mainly European settlers, formed committees which later developed into regional marketing boards to assist them in the procurement of inputs, market information, marketing their produce and lobbying the government for better prices. In 1939, the colonial government formed the Maize and Produce Control Board to regulate the operations of the regional Marketing Boards. In 1967, the new Kenyan government consolidated the handling and marketing of maize and all produce except wheat, by merging the Maize and Produce Marketing Board with all regional marketing Boards to form the Maize and Produce Board. Wheat, however continued to be controlled by the Wheat Board of Kenya.

In 1979, the Government established the National Cereals and Produce Board (NCPB) by merging the Maize and Produce Board with the Wheat Board of Kenya in order to streamline the management, handling and marketing of all grains. The NCPB Act, Cap.338, was subsequently enacted in 1985 making the NCPB a corporate body. Under the Act, the Board was given monopoly powers to purchase, store, market and generally manage cereal grains and other produce in Kenya. In 1988, the government commenced the grains sector reform program in which the monopoly powers

of NCPB were reduced culminating in full liberalization in 1993, exposing NCPB to stiff competition. This policy has since forced the once monopoly regulator to re-examine its purpose and role in a liberalized environment. NCPB's commercialization project was undertaken between 1996 and 1997. The key objective of this program was to transform NCPB into a commercially viable entity, free to make independent commercial decisions whilst removing dependency on the exchequer.

In 2002 the NCPB diversified into the marketing of various agricultural inputs such as fertilizers and certified seeds as part of the strategy of enhancing efficient cereal production through the use of affordable quality inputs. This move was undertaken in response to farmer's requirements and the need for the NCPB to take advantage of its extensive network which enabled it to move these essential inputs closer to the farmer. The current organization structure comprises the Board of Directors, Managing Director, fourteen departments and six regional offices. The organization boasts of 1010 employees. NCPB has 110 depots and silos spread out across the country with a total storage capacity of 1.8 million metric tones of grains. Currently, NCPB is vested with the responsibility of being a government's tool for grain price stabilization; logistics support services for Strategic Grain Reserves (SGR) and Famine Relief Stock (FRS); and a commercial grain trading organization.

The current services offered by the NCPB include the following:

Grain price stabilization: The government stabilizes local grain market and prices by implementing special intervention programs through NCPB. This entails the buying and selling of SGR. Management of SGR and FRS: NCPB has an agency contract, on commercial principles, for the purchase, handling, storage and distribution of Strategic Grain Reserve and Famine Relief Stock. Commercial grain trading: NCPB is mandated to trade in grains with a view to enhancing the development of a competitive grain market in Kenya.

Post-harvest services: It offers grain handling, preservation and other related services to farmers and other customers at affordable rates. Clearing and forwarding and distribution of agro-chemical products to farmers. NCPB has also ventured into branding of products e.g. Nafaka Foods and Mkulima Bora Fertilizer.

1.2 Statement of the problem

Every organization is confronted by external pressures which have implications for the way it manages its internal operations and employees. Skill shortages, competition, recession, government regulation and new technology are just a few of the many problems which currently affect managers and employees within organizations. While few managers and employees will welcome these developments, it is obviously essential that they are aware of these changes and are prepared to respond to them. By correctly identifying development in organization's external environment and evaluating their possible effects, managers and employees should be better placed to draw up and amend plans to ensure the long term viability of the organization with which they are associated (Morris and Willey, 1996).

Planning is a conscious, systematic process, during which decisions are made about the goals and activities that an individual group, work unit or organization will pursue in the future (Zeithaml and Bateman, 1990). It is not an informal or haphazard group of decisions made in response to a crisis. Rather, it is a purposeful effort directed and controlled by a manager who often draws on the knowledge and experience of employees throughout the organization. Zeithaml and Bateman (1990), asserts that planning provides the individual and work units with a map to follow in their future activities, although this map may specify various routes and destinations that depend on individual circumstances and changing conditions.

Strategic planning is thus the process adopted in identifying a strategy that best matches organizational capability with the environment (Ndungu, 2006). The main aspects of strategic planning that organizations concern themselves with are its formulation, implementation and evaluation of the strategy and objectives. Of importance is how strategic planning is practiced and challenges that various institutions encounter in pursuit of the same.

Vision 2030 envisages that Kenya will grow at an average rate of 10% per annum. Agriculture is targeted to achieve an average growth rate of 7% per year over the next 5 years. This growth rate translates to an additional income of Kshs. 80 billion, which is a significant contribution by agriculture to the country's GDP (NCPB Draft Strategic Plan 2009 – 2013). However, inefficiencies in the supply chain have been identified as a key constraint to growth or increase in productivity in the sector. These inefficiencies result from limited storage capacity, lack of post-harvest services, and poor access to input markets amongst others. The agricultural market is also distorted by the exploitation of farmers by middlemen.

Various studies have been carried out to determine the strategic planning practices of different organizations. They include: Kiliko (2001), Mbayah (2001), Bett (2003), Mwaura (2003), Kamau (2005), Muriuki (2005), Khamis (2006), Kimemia (2006), Ndungu (2006), Watitu (2006). The researchers concluded that strategic planning practices are evident in Kenyan firms.

From the review of research that has been done on strategic planning, there is none that focuses exclusively on National Cereals and Produce Board in Kenya. This study therefore seeks to fill this knowledge gap by providing an indepth research on strategic planning and the challenges encountered in pursuit of the same by the NCPB. Faced with the aforementioned challenges and given the complex nature of operations, one would wish to know the kind of strategic planning practices that NCPB has put in place in order to thrive in a dynamic and liberalized business environment.

1.3 Objectives of the study

The study was guided by the following objectives.

- (i) To determine the strategic planning practices at the National Cereals and Produce Board.
- (ii) To identify the challenges that NCPB encounters during the planning process.

1.4 Importance of the study

The findings of this study will be of great value to the NCPB and its stakeholders in understanding of strategic planning practices. The stakeholders will gain insight as to how the institution is managed.

Scholars and academicians will use the study as a foundation upon which other related and replicated studies can be build upon or based on. They will also have a better understanding of strategic planning practices applied in Kenyan Parastatals – NCPB.

Planners and managers will be informed on how strategic planning practices can be positively used to gain desirable performance and sustainable competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

A strategy is a pattern of actions and resource allocation designed to achieve the goals of the organization. The strategy that an organization implements is an attempt to match the skills and resources of the organization to the opportunities found in the external environment. That is, every organization has certain strengths and weaknesses. The actions or strategies the organization implements should be directed towards building the strengths in areas that satisfy the wants and needs of consumers and other key actors in the organization's external environment (Zeithaml and Bateman, 1990)

According to Pearce and Robinson (1991), a strategy is a company's 'game plan'. It provides a framework for managerial decisions. A strategy reflects company's awareness of how, when and where it should compete; against whom it should compete and for what purposes it should compete. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial and market performance (Thompson, Strickland and Gamble, 2007)

Strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. This is sometimes known as the search for strategic fit. The notion of strategic fit is developing strategy by identifying opportunity in the business and adapting resources and competencies so as to take advantage (Johnson and Scholes, 2002). The strategy of an organization is affected by environmental forces and resource availability, values and expectations of those who have power in and around the organization. As such strategy can be thought of as a reflection of the attitudes and beliefs of those who have most influence on the organization.

Strategy is a broad based formula for how business is going to compete, what its goals should be, and what policies will be needed to carry out those goals. The essence of formulating competitive strategy is relating a company to its environment. (Porter, 1980)

In most industries, companies have considerable freedom in choosing the hows of strategy. As such some companies strive to improve their performance and market standing by achieving lower costs than rivals while others pursue product superiority or personalized customer service or the development of competencies and capabilities that rivals cannot match. Thompson et al (2007) argues that there is no shortage of opportunity to fashion a strategy that both tightly fits a company's own particular situation and is discernibly different from the strategies of rivals. A strategy stands a better chance of succeeding when it is predicated on actions, business approaches and competitive moves aimed at appealing to buyers in ways that set a company apart from rivals and carrying out its own market position.

According to Thompson et al (2007) the heart and soul of any strategy are the actions and moves in the market place that managers are taking to improve the company's financial performance, strengthen its long-term competitive position and gain a competitive edge over rivals. A creative, distinctive strategy that sets a company's most reliable ticket for earning above average profits. Strategy is about winning. It is not a detailed plan or program of instructions; it is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization (Grant, 1998). Though its primary purpose is to guide management decisions towards superior performance through establishing competitive advantage, strategy also acts a vehicle for communication and coordination within organizations.

The key issue for companies to grasp is that they are competing in two time zones. Strategy is about maximizing performance under today's

circumstances. It is also about developing and deploying resources and capabilities for competing in the future. Whereas strategies for the present are primarily concerned with maximizing effectiveness of current resources and capabilities, competing in the future is concerned with redeploying existing resources and capabilities and developing, extending and augmenting them (Grant, 1998)

2.1.1 Levels of Strategy

Strategies exist in a number of levels in an organization. The decisions hierarchy of business firms typically contains three levels. They are: Corporate, Business and functional levels. Pearce and Robinson (1991), asserts that the corporate level is responsible for the firm's financial performance and for the achievement of non-financial goals such as enhancing the firm's image and fulfilling its social responsibilities. It deals with the decisions that by their nature should be addressed with the fullest scope encompassing the overall firm (Hax and Majluf, 1996). Corporate level strategic managers attempt to exploit their firm's distinctive competences by adopting a portfolio approach to the management of its businesses and by developing long-term plans. Corporate level strategy is importance since it is a basis of other strategic decisions.

At the business level, the concern is about competing successfully in particular markets. The concern is therefore about how to gain competitive advantage over competitors (Johnson and Scholes, 2002). The managers translate the general statements of directions and intent generated at the corporate level into concrete, functional objectives and strategies for individual business divisions. The concerns are about how competitive advantage over competitors can be achieved, what new opportunities can be identified or created in markets, which products or services should be developed in which markets and the extend to which these meet the customer needs in such a way to achieve the objectives of the firm. Business managers are therefore supposed to formulate and implement strategic actions that are congruent with the general corporate directions.

Functional level is concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people. The principal responsibility of functional level managers is to implement the firm's strategic plans. Whereas corporate and business level managers center their attention on 'doing the right things', managers at the functional level center their attention on 'doing things right'. Thus, they address such issues as the efficiency and effectiveness. However, all these levels need to be coordinated.

2.1.2 Approaches of Strategy Development

Firms will approach the task of formulating strategy differently depending on the nature of organization itself in terms of its culture, management style and the environment in which it operates. Some organizations have very formal approaches, others informal. This indicates that no single method of formulating strategy can be prescribed. Regardless of the process used the objective is to determine as realistically as possible the future state of the firm.

Johnson and Scholes (2002) provide three ways of looking at strategy development. The design lens views strategy development as the deliberate positioning of the organization through a rational, analytic, structured and directive purpose. It is usually associated with the notion that it is top management's responsibility to do this and that top management leads the development of strategy in the organization.

Strategy as experience holds that future strategies of organization are based on the adaptation of past strategies influenced by the experience of managers and others in the organization. Different views and expectations that exist will be resolved through rational analytic processes; processes of bargaining and negotiation. As such there is a tendency for strategy of the organization to build on and be a continuation of what has gone before.

Strategy as ideas emphasizes the potential variety and diversity which exist in organization and which can potentially generate novelty. Here strategy is seen as emergent from within and around the organization as people cope with an uncertain and changing environment in their day to day activities and not as planned from the top.

Mintzberg, Lampel, Quinn and Ghoshal (2003) advance several strategy making modes. The planning school (formal process) argues that the process is not just cerebral but formal, decomposable into distinct steps, delineated by checklists and supported by techniques especially with regard to objectives, budgets, programs and operating plans. The entrepreneurial school (a visionary process) centered the process on the chief executive who has incredible influence in the organization. The process is in the mysterious of intuition. This shifts strategies from precise designs, plans or position to broad perspectives or vision. The power school (a process of negotiation) has focused on strategy making rooted in power. Two separate orientations seem to exist: micro and macro power. The micro power sees development of strategy within organization as essentially political – a process involving bargaining, persuasion and confrontation among actors who divide the power. Macro power on the other hand views the organization as an entity that uses its power over others and among its partners in alliances, joint ventures and other network relationships to negotiate “collective” strategies in its interest.

The logical incrementalism as advanced by Quinn (1980) argues that managers have a view of where they want the organization to be in years to come and try to move towards this position incrementally. Due to the uncertainty of the future, assumptions are first tested to accord the organization an opportunity to learn. Such experiments cannot be expected to be the sole responsibility of top management. They have encouraged to emerge from lower levels and ‘sub-systems’ in the organization. Effective managers realize that they cannot do away with the uncertainty of their environment by trying to ‘know’ about how it will change. Rather, they try to

be sensitive to environmental signals through constant scanning and by testing changes in strategy in small-scale steps (Johnson and Scholes, 2003)

2.2 Strategic Management

The concept of strategic management evolves from the concept of strategy used in military organizations. The word strategy is derived from a Greek word 'strategos' which means army and leading. Initially, the concept of strategy was referred to the leading role of a general in command of an army as well as meant for military purposes. In the field of modern management, the earlier concepts of policy and strategy can be traced to the works of Henri Fayol and Peter Drucker. Peter Drucker established the basic conceptual framework for business policy and strategy field, which later developed into the concept of strategic management. The empirical and theoretical studies on the concept of strategic management were pioneered by Chandler (1962) and Ansoff (1965). These authors viewed strategic management as an important process for formulating strategy in large business firms.

Strategic management is defined as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. (Pearce and Robinson, 1991). It involves the planning, directing, organizing and controlling of a company's strategy-related decisions and action.

Ansoff (1990) defines strategic management as a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure it continued success and make it secure from surprises. Strategic management is the decision that aligns the organizations internal capabilities with opportunities and threats it faces in its environment. The process of strategic management involves managers from all parts of the organization in the formulation and implementation of strategic goals and strategies. It integrates strategic planning and management into a single

process. Strategic planning therefore becomes an ongoing activity where managers are encouraged to think strategically and to focus on long-term externally oriented issues and short-term tactical and operational issues (Zeithaml and Bateman, 1990)

Johnson and Scholes (2002) states that strategic management is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide rather than operation-specific implications. This implies that a manager who aspires to manage or influence, strategy needs to develop a capability to take an overview, to conceive of the whole rather than just parts of the situation facing an organization. It is therefore concerned with taking decisions about major issues facing the organization as well as ensuring that the strategy is put into effect. It is a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises (Ansoff and McDonnell, 1990)

From the above definitions it is clear that strategic management encompasses the entire enterprise and looks beyond day to day operating concern in order to focus upon the organizations long-term prospects and development. The responsibility of doing this will lie with different people depending upon the size and types of the organization. Strategic management is an ongoing process that assesses the business and the industries in which the company is involved.

2.3 Strategic Planning Practices

Changes are occurring rapidly. There is increased pressure on top management to respond. Managers who must respond more accurately on a more timely basis and with a strategy or course of action in mind are increasingly turning to strategic planning (Donnelly, Gibson and Ivancevich, 1992). It is a process that involves the review of market condition, customer needs, competitive strengths and weaknesses, socio-political conditions and the availability of resources that lead to the specific opportunities or threats facing the organization.

The planning process can be formal or informal. Formal strategic planning usually ends up with a document, the strategic plan. A strategic plan is a comprehensive statement about the organization's mission and future direction and how management intends to produce desired results to fulfill the mission, given the organization's situation (Thompson, 1997). The informal approaches to strategy are characterized by negotiation, bargaining, building of coalitions and practices of muddling through (Hax and Majluf, 1991).

According to Steiner (1979), strategic planning is a process that begins with the setting of organization's aims, defining strategies and policies to achieve them and developing detailed plans to make sure that the strategies are implemented so as to achieve the ends sought. Researchers in strategic planning mentioned the following key steps in the strategic planning process. These steps are the crafting of the mission and vision statements, setting objectives, situational analysis, implementation, monitoring and control. These differ from one organization to the other depending on the size, culture, management style of the organization amongst other factors. Identification of the vision and mission is the first step of any strategic planning process. A strategic vision describes the route a company intends to take in developing and strengthening its business. It lays out the company's strategic course in preparing for future (Thompson et al). It delineates management's aspirations for the business, providing a

panoramic view of “where we are going” and a convincing rationale for why this makes good business sense for the company. Well conceived visions are distinctive and specific to a particular organization. The mission of a company is the unique purpose that sets it apart from other companies of its type. It embodies the business philosophy of the firm’s strategic decision maker. It describes the firm’s product market and technological areas of emphasis.

Organization’s objectives are the end points of organization’s mission and refer to what it seeks through the ongoing, long run operations. The organization’s mission is defined into a finer set of specific achievable organization’s objectives. Steiner (1979) states that it is through analysis of company opportunities, threats, strengths and weaknesses, managers and staff will identify alternative objectives and strategies from which firm objectives eventually will be established. According to Glueck and Juach (1988), objectives are the statements indicating among others the specific performance targets which the organization aims at achieving and the competitive position the organization seeks to occupy in the market place.

Analysis of the environment involves the business in an appraisal of its current and likely future external environment: its market opportunities and threats. It should also analyze its own internal capabilities – its unique strength and weaknesses (Pearce and Robinson, 1991). Such an analysis will enable the business to identify the key factors upon which its success in exploring markets and surviving against its competitors depends and also the weaknesses that should be remedied if the business is to continue to operate in such markets and survive against competitors.

Strategic evaluation and control involves not only evaluating strategy for deviations from intended course but also for flexibility towards responding to new challenges and determining the effectiveness and the pace of the implementation (Johnson and Scholes, 2003)

2.3.1 Strategic Planning Systems

Strategic planning systems are the mechanisms put in place by organization for strategically managing the implementation of agreed upon strategies. The systems characteristically embody procedures and occasion for routinely reassessing those strategies (Bryson, 1995). They are actually a kind of organization strategy for implementing plans and policies.

Johnson and Scholes (2007), equates strategy development with strategic planning systems. In many respects they are the typical manifestation of approach to managing strategy. Such processes may take the form of highly systematized, step by step, chronological procedures involving many different parts of the organization. Organizations which have sophisticated and extensive planning systems may well be populated with managers who believe that strategies can and should be developed in such ways and who may argue that a highly systematic approach results in organization performing better than other is equivocal – not least because it is difficult to isolate formal planning as the dominant or determining effect on performance.

According to Khamis (2006), Strategic planning systems can either be formal or informal. Planning systems can also be viewed to be structured or unstructured. When top executives do most of the strategic planning, the system is said to be top-down. The significant involvement of lower ranked staff in strategic planning depicts a bottom-up planning system. A hybrid system is sometimes adopted. However it is important to note that the two key determinants of strategic planning systems in organization are the operating environment and leadership style.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a case study. The unit of study was the National Cereals and Produce Board in Kenya. It involved an indepth and comprehensive analysis/inquiry of the organization's strategic planning practices. A number of researchers have adopted this design in their studies. They include Ogwora (2003), Muriuki (2005), Khamis (2006), Ndungu (2006). Case study is appropriate when one wishes to gain a rich understanding of the context of the research and processes being enacted (Saunders, Lewis and Thornhill, 2007)

3.2 Data Collection

Primary data was collected using an interview guide. The data collection method used was personal interview. Personal interview has greater flexibility and provides an opportunity for probing. The questions posed were mainly open-ended and unstructured. This allowed for greater depth of responses. Respondents were drawn from top-level and middle level management. These respondents are heads and section heads of various departments. These units include: Operations Department, Research and Development Department, Human Resource Department, Finance department, Sales and Marketing Department and Audit department. The decision to draw respondents from the top and middle level management was based on the fact that the two levels are actively involved in strategic decisions of the company. The departments mentioned above represent or form the core business function of the National Cereals and Produce Board hence more information is at their disposal.

Secondary data was collected through a detailed review of NCPB Strategic and Business Plans and other organization's planning related documents and publications.

3.3 Data Analysis

The nature of data collected was qualitative. The data analysis technique used was content analysis. Cooper and Schindler (2003) states that content analysis measures the semantic content or the what aspect of a message. Its breadth makes it a flexible and wide-ranging tool that may be used as a methodology or as a problem-specific technique. It guards against selective perception of the content, provides for the rigorous application of reliability and validity criteria. This technique has been used by other researchers who have conducted similar studies such as, Kombo (1997), Kiptugen (2003), Khamis (2006).

3.3.1 Respondents' Profile

The respondents were drawn from top and middle level management. The table below indicates that all the respondents were well versed in the organization for over 10 years. They therefore exhibited a good grasp of the issues under the study due to their wealth of knowledge and experience of the organization's strategy, planning practices. The team has also been actively involved in strategic planning of the organization.

Table 4.1: Respondents' years of experience

Respondent	Years of experience
Respondent 1	16 years
Respondent 2	20 years
Respondent 3	14 years
Respondent 4	17 years

Source: Research data

4.0 CHAPTER FOUR: ANALYSIS AND FINDINGS

4.1 Introduction

This chapter constitutes the analysis of data collected and presentation of the findings of the research study. The data was collected through in-depth interviews of Senior Managers at National Cereals and Produce Board. It includes highlights on respondents' profiles, strategic planning process, key steps involved in the planning process, strategic planning practices, various tools employed during the planning process, factors considered and challenges that NCPB encounters during the entire planning process.

4.2 Respondents' Profile

The respondents were drawn from top and middle level management. The table below indicates that all the respondents have served the organization for over ten years. They therefore exhibited a good grasp of the issues under the study due to their wealth of knowledge and experience of the organization's strategic planning practices. The team has also been actively involved in strategic planning of the organization.

Table 4.1 (a) Respondents' years of experience

Respondent	Years of experience
Respondent 1	18 years
Respondent 2	25 years
Respondent 3	13 years
Respondent 4	17 years

Source: Research data

4.2.1 Response Rate

As illustrated in the Table 4.1 (b) below, out of the five targeted respondents four were interviewed. This gives a response rate of 80%. The researcher deemed this as adequate and sufficient response rate for data analysis purposes.

Table 4.1 (b) Response Rate

Targeted Respondents	Actual Response	No Response
5	4	1

Source : Research Data

4.3 Strategic Planning Practices

4.3.1 Strategic Planning process

Strategic Planning at NCPB is an organization wide activity. The organization is currently in the second strategic plan 2009 – 2013. The first strategic plan was drawn for the period 2005 – 2010. This was conceptualized in 2004. There exists an overlap of the two strategic plans. The reason being that initially NCPB was guided by the Government Development Blue Print: Economic Recovery Strategy Paper for Wealth Creation and Employment Creation. This was replaced by the Vision 2030. NCPB therefore had to align itself to the aspirations contained in the new Government Development Plan hence the Strategic Plan 2009 – 2013.

The planning process is spearheaded by a committee who collects and collates information to be contained in the document. They then brainstorm before sending internal memoranda asking the other members of staff to contribute. The information solicited is then keyed and filtered to fit the requirement of the strategic plan in order to come up with a draft document. It is usually at the critical stage of environmental analysis where members of staff are called in to give their input. This is because the members of staff

are quite aware of the opportunities and threats in the environment. They are in a better position to identify the weaknesses and tackle them. Likewise, management does well in identifying the strengths and very well understand how these can be used to leverage the weaknesses of the organization. Once the draft document is ready, they then converge at a workshop that is usually offsite in order to tap what they have in their own perspective. At the workshop, participants critically review the organization in terms of where it is currently and the direction it should be heading i.e. where it wants to be. This involves a thorough assessment of internal and external environment. The draft is then revised and fine tuned where necessary.

A consultant is then brought on board in order to iron out the issues that the company may have overlooked, dedicate more time and to put the document in a proper and presentable format. The final document is approved and ratified by the Board of Directors. It is at this stage that the document is submitted to the Ministry of Agriculture for the final approval. After the approval, the strategic plan is then communicated once again to all employees.

4.3.2 Key Steps in the Strategic Planning Process.

At the onset the committee would conduct an evaluation of the organization so as to determine its readiness i.e whether the document is sellable to the stakeholders. The committee then engages itself in a rigorous exercise aimed at buying in all the employees so that together they can come up with a work plan towards its actualization. The following steps will then fall in place.

Steps in the Strategic Planning Process

Step	Outcome
Identification of the vision	A general direction of where NCPB would like to be in future
Identification of the mission	The business the organization should be engaged in.
Situational Analysis	Reveals gaps in the existing grain management system (internal and external conditions)
Setting of broad goals	General performance dimension
Objective setting	Specific performance dimension
Coming up with strategies and action plan	Strategy map
Implementation	Realization of the strategic plan
Monitoring and Evaluation	Achieved goals and objectives

4.3.3 Strategic Planning Cycle

NCPB has a comprehensive plan drawn for a period of five years. However, the strategic plan is reviewed on an annual basis in order to align the organization with any new initiatives, do moderation for the subsequent years and change the tact of the strategy in operation. NCPB also has other ingredients that feed into the strategic plan. These are the performance contract and the budgeting process.

Budgeting is an annual process where work plans from all operating depots are submitted. These are then translated into financial requirement. The unit spearheading the strategic planning process collects all information from budget centers, fine tune and rationalizes the same through interactive

meetings. The budgeting process starts around February and should be completed by April of the same year.

There is also the concept of performance contract that is done annually. The organizations should also be through with reviews of performance contract by June of the same year. Performance contracting involves agreement between two or more persons/parties. The main aim is to achieve specific goals within a given time frame. In the case of NCPB, an agreement is entered between the Ministry of Agriculture and the board of directors. The goal being to deliver certain variables within a period of one year. The board of directors in turn enters into a contract with the Chief Executive Officer who cascade this agreement down by signing individual performance contracts with each head of departments. This process trickles down to signing of performance contract between heads of department and managers of various depots.

4.3.4 Strategic Planning System

NCPB employs a formal planning system that is highly structured and defined. The formality is evident by the existence of distinct planning calendar of events. There is also a unit dedicated to lead the whole process. The unit is involved in drawing up calendar of events, guiding the other different unit in terms of what should be done and facilitating them. All members of staff are involved though the whole process is driven by top management; therefore the approach used is mainly participatory since views are solicited from the members of staff. The vision and mission identification is also spearheaded by top management and board of directors. As the process continues, employees are invited to give their input. The objectives are quite clear to all employees since they own the process. These objectives are revised on annual basis.

The vision, mission and objectives are communicated to all members of staff. Various means of communication are used including circulars, during workshops, newsletters, weekly briefs, posters. There is also the concept of

cascading the strategic plan to all various regions and depots since NCPB has a wide network.

4.3.5 Persons involved

From the findings of the study all employees are involved in strategic planning at NCPB. The whole process is driven by a committee of persons through the leadership of Research and Development unit. Members of staff are asked to submit a proposal of the areas that needs improvement and any other opportunities where they can excel. This is usually done through forums of meeting at head office and regional level. The management then takes the leadership role, communicate and get feedback from the entire members of staff who are spread countrywide.

4.4 Strategic Planning Tools Employed

NCPB employs a wide variety of tools during the planning process. This ensures that the organization is well positioned in the environment in which it operates. Some of the tools employed include the following:

4.4.1 Competitor Analysis

Findings from the study shows that cereal marketing in Kenya is currently fully liberalized. The producers dispose their produce to willing buyers at an arms length, at varying market-driven prices for different regions depending on supply and demand. The main players in the cereal industry include producers who are mainly smallholders, millers, traders, distributors, transporters, importers and exporters of the grain. The competition among these players is intense, particularly during shortages of maize and wheat. For example the millers compete vigorously for grain and the market for finished products in a liberalized industry environment. NCPB plays a crucial role in the industry by providing opportunities for all the players as a buyer and seller of large quantities of quality grains. NCPB can therefore use this core competence to gain a sustainable competitive advantage in the industry (source, Respondent).

4.4.2 Situational Analysis

In designing a strategic plan, NCPB undertakes a thorough internal and external situational analysis of the organization. In this regard, the internal capabilities in terms of strengths and weaknesses as well as the external challenges, opportunities and threats of the organization are well identified and analyzed in order that the strategic plan is built on the solid foundation of facts concerning the organization's strengths, weaknesses, opportunities and threats.

The result of the analysis is to match the internal conditions of the firm with its external characteristics to avoid the conditions of a strategic problem developing whereby internal conditions have no relationship with the external conditions leading to an organization lacking a sustainable competitive advantage in its industry. The following strength, weaknesses, opportunities and threats (SWOT) analysis summarizes challenges and other factors impacting on NCPB'S delivery of service.

NCPB's Situational Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• Established storage infrastructure of 1.8 million MT• Skilled staff with relevant grain management competences• Long experience in grain handling, storage and trading• SGR and FRS is 70% of business	<ul style="list-style-type: none">• Inadequate legislative framework• Bureaucratic and conflicting government policies• Rigid internal processes and procedures• Inadequate working capital• Poor business culture of staff• Dealing with primary product – no value addition.• Inadequate modern business system

Opportunities	Threats
<ul style="list-style-type: none"> • Value addition • Ever expanding market • Diversification – products and services • Strategic ownership through partnership • Adoption of other business concepts e.g. warehouse, contract farming 	<ul style="list-style-type: none"> • Political interference • Unfavourable climatic conditions • Dynamic competitors • Government debts – affecting own cash flow and operation • Volatility of grain markets

4.4.3 PESTEL Model

The analysis involves a thorough and rigorous evaluation of the political-legal, economic, social-cultural, technological and global components of the external environment. Each of these elements exposes the NCPB to different conditions pertaining to opportunities and threats. The Board attempts to create a best-fit between its internal conditions and the external environment for it to survive and grow. The opportunities in the external environment include new innovations for improving productivity and new global markets. The threats include competition, poor infrastructure, low purchasing power among the Kenyan population, political interference, cost of inputs including oil prices, increasing interest rates and currency fluctuations.

4.5 Factors Considered During the Planning Process

There are various factors that may affect the planning process. Findings from the study indicated that these factors could be internal or external. For example, NCPB is driven by the Government's Development Blue Print. It is currently driven by the Vision 2030. It therefore engages in activities that are within the context of its mandate. Other external factors include the political-legal factors. Findings from the study indicate that the grain industry continues to be affected by the political developments in the

country. It is politically sensitive and therefore attracts a great deal of political interest. This has resulted in a highly politicized industry thereby disrupting the effective planning process. Given that maize is the key food crop, the industry will continue to attract a lot of political interests. It is therefore important that the Board deals with the political-legal issues by developing appropriate strategies.

Economic factors are also put into consideration. These includes: Fiscal and monetary policies of the government, which affect the interest rates, foreign exchange and cost of credit, inadequate support from financiers and increased level of poverty. Global factors such as competition from importation cost of imported inputs, new market and international standards that require different thinking and behaviour in farming and management of grain. Socio-cultural factors are also considered, availability of resources, which is a perennial problem, internal weaknesses such as bureaucratic procedures and the extensive nature of the network.

4.6 Challenges Experienced

Strategic planning at NCPB is not without challenges. These challenges are experienced at the strategy formulation, implementation and during evaluation. Some of these challenges are beyond the control of the organization. All respondents indicated that the major challenge is resistance from employees since strategic planning is relatively a new concept. The other challenge is that NCPB does not have an upper hand in setting of prices of the grains yet it is classified as a commercial entity with the aim of generating profits. This handicaps the organization as far as finances are concerned. As a result funding the consultant was a major problem and this jeopardizes the planning process.

The leader of NCPB is a political appointee who steers the organization for a fixed term. These changes eventually affect planning in that the appointee may not share in the same vision of the organization. The educational level of the members of the board is a major challenge since they may not quite

understand the importance of laying down robust strategies. The environment in which the organization operates poses a challenge. This has led to complacency on the part of employees in what they do. The extensive nature of NCPB network also hampers the planning process in that complexities arise at different stages of the planning process. This is heightened by poor coordination between the head office and the depots spread countrywide.

Findings from the study indicate that the board has tried to overcome these challenges through continuous training, communication and education so that all the stakeholders own the process. The heads of various departments attempt to bring all employees together and take them through new developments in the organization. Managers are also sensitized so that they prepare adequately in terms of consolidating the necessary information.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study focused on strategic planning practices at National Cereals and Produce Board. The study had two objectives namely: to determine the strategic planning practices and to identify the challenges that NCPB encounters during the planning process. Information was then generated by conducting interviews. The respondents were highly experienced and have been actively involved in strategic planning exercise.

5.2 Strategic Planning Practices

The study found out that strategic planning at NCPB is evident. Series of management strategy meetings, workshops and retreat for both management and the board of directors were held. During the retreat the management and the board of directors scrutinized the draft document containing the vision, mission, strategic goals and objectives that had been generated in conjunction with all the employees. External environment is analyzed as well as the organization's internal conditions and capabilities in order to find the organization's sustainable competitive advantage. The main objective being to position NCPB in the rapidly changing, volatile and turbulent business environment.

The system adopted is highly formalized, step by step process. The planning process is championed by the Research and Development unit. This unit takes the lead and draws up calendar of events to guide the whole process. Once the strategic plan is approved it is cascaded downwards to all employees who are in various parts of the country. This ensures that they own the process and have a common sense of purpose. Various tools are employed in analyzing the organization's internal capabilities as well as external conditions. This includes PESTEL model, SWOT analysis, Balance scorecard, Gantt Charts. This implies that the business places emphasis on analysis at every stage in its planning.

5.3 Major challenges experienced

From the research findings, it can be deduced that NCPB faces major challenges within and without. These include resistance on the part of employees, problems to do with co-ordination due to the nature of its vast network that is spread countrywide, government interferences and bureaucratic processes and procedures within the organization.

5.4 Conclusion and Recommendations

The research study findings indicate that NCPB practices strategic planning. This was largely driven by the need to remain dynamic and to change in order to effectively reposition itself in the turbulent business environment. The planning process is distinctly formal with well defined roles and clear responsibilities assigned to the key players. From the study it can be deduced that the planning system adopted is participatory. All employees are involved in the deliberations during the planning process. Planning at NCPB has enabled it to stay abreast of competition in a liberalized economy.

It would be beneficial if National Cereals and Produce Board could emphasize on sensitizing the managers and employees at various depots on the importance of strategic planning and the value/gain the organization would benefit from the process. This way it would encourage a more bottom-up flow of ideas and speed up the process. This will enhance valuable input, ownership and commitment towards the process. This is also necessary in order to minimize staff resistance to the necessary changes required for the strategy to be effectively implemented.

It is also worth noting that once the planning process is over, the document should be used as a daily management tool if the organization is to realize its vision and contribute towards the vision 2030.

5.5 Limitations of the Study

The study was constrained by the limited amount of time and resources on the part of the researcher. The respondents were senior managers at NCPB and as such their busy schedule could not allow for an extensive review of the issues at hand. This may have compromised on the depth and breadth of the study. The design used was a case study. The findings from this research study are therefore organization/case specific and does not allow for generalization.

5.6 Suggestions for Further Study

A study could be undertaken to determine the benefits of strategic planning in the grain industry. It would also be beneficial to undertake a study investigating the relationship between strategic planning and performance of the organization.

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APPENDICES

Appendix 1: Letter of Introduction.

Dear Respondent,

I am a postgraduate student at the University of Nairobi pursuing a degree in Master of Business Administration.

I am currently undertaking a research project as part of the requirement for the degree. The research project aims to study and document the strategic planning practices and challenges at the National Cereals and Produce Board.

The information obtained will be used for academic purposes only. As such information gathered will be treated with utmost confidentiality.

Your assistance accorded in this process is highly appreciated.

Yours faithfully,

Sitonik Evelyne Chelangat.
MBA student - UON

Appendix 2: Interview Guide.

SECTION A: Respondent's File

Name of respondent _____
Position held in the organization _____
Department _____
Years of experience _____

SECTION B: STRATEGIC PLANNING

1. Describe the strategic planning process at NCPB

2. What are the key steps in strategic planning?

3. What strategic planning system is employed?

4. Describe the strategic planning cycle.

SECTION C: PERSONS INVOLVED

1. Who are involved in the strategic planning process?

SECTION D: TOOLS USED

1. What planning tools do you employ?

SECTION E: OBJECTIVE SETTING

1. What is the vision of NCPB?

2. What is the company's mission?

3. Does the organization has any objectives? If yes, are these objectives clear?

4. What is the approach used in setting the objectives? Does the organization encourage participatory, top-down or bottom-up approach?

5. Who are involved in coming up with the vision, mission and objectives of the organization?

6. What factors are considered in the planning process?

SECTION F: CHALLENGES

1. What challenges are encountered in the planning process?

2. In what ways are these challenges overcome?

3. Prior to the planning process, what are the measures put in place in order to minimize some of the foreseeable challenges?

4. To what extent have the challenges affected the planning process?
