

**STRATEGY DEVELOPMENT AND ITS CHALLENGES IN KENYAN
PUBLIC CORPORATIONS: THE CASE OF THE NATIONAL
HOSPITAL INSURANCE FUND**

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**A Management Research Project Report Submitted In Partial
Fulfillment Of The Requirements For The Award Of The
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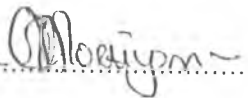
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DECLARATION

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

Signed 

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This management research project has been submitted with my approval as University Supervisor.

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DEDICATION

To my wife Martha Lynn, my lovely daughter Faith Maridadi, my sister Carol Malusi and my dear parents Mr. and Mrs. Joseph Malusi. It was due to your inspiration and support that I managed to accomplish this task.

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LIST OF ACRONYMS USED

AIDS	-	Acquired Immune Deficiency Syndrome
CEO	-	Chief Executive Officer
GOK	-	Government of Kenya
HIV	-	Human Immune-Deficiency Virus
HMO	-	Health Management Organization
MBA	-	Master Of Business Administration
MOH	-	Ministry of Health
NHIF	-	National Hospital Insurance Fund
NSE	-	Nairobi Stock Exchange

ABSTRACT

The way managers approach strategy development in organizations differs and is determined by both the environmental and organizational factors. It has been noted that though various authors and scholars have advocated several approaches to the strategy development process in organizations, the approaches only offer partial explanation about the process.

This study set out to establish how National Hospital Insurance Fund, a Kenyan state corporation established under the NHIF Act No. 9 of 1998, develops its strategies, the challenges faced in the process and to what extent the process addresses the strategic issues of the organization. Data for the study was collected through well-structured questionnaires administered to the CEO, the organizations 6 General managers and 20 managers. An in-depth interview with the CEO was also carried out to establish the finer details of strategy development in the organization.

From the findings, it clearly emerged that there exists a highly formalized process of strategy development in the organization. This is due to the fact that the strategic decisions made by the management of the organization are outcomes of deliberate planning efforts and a rational analysis of the business environment, the organizations objectives, strengths and weaknesses.

Government policies, organizational objectives, available resources, customers and stakeholder's interests are among the factors that influence the process. The study established that the process faces challenges, which include resistance to change, organizational culture, organizational politics and communication barriers. These challenges lead to delays in implementation of the strategic plans and plenty of time is spend before coming up with the appropriate strategies. The research findings further indicated that the process addresses the strategic issues of the organization to a very large extent.

Finally, the study has come up with discussions, conclusions, suggestions for further studies and recommendations for policy and practice based on the findings.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

1.1.1 STRATEGY

Strategy is the underlying concept in strategic management (Kangoro 1998). It is about winning and it serves as a unifying theme that gives coherence and direction to the actions and decision of an individual or an organization. Johnson and Scholes (1997), define strategy as the direction and scope of an organization over the long term through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder's expectations. Strategy guides organizations to superior performance through establishing competitive advantage and acting as a vehicle for communicating and coordinating activities and policies within the organization (Johnson and Scholes 2002). The major task of managers is to assure survival and success of the organizations they manage. In order to achieve this, the manager's should ensure that their organizations adjust adequately to meet environmental challenges. Strategy serves as a tool, which offers significant help for coping with environmental turbulence that often confront organizations.

Grant (1998), points out that strategy is a Fundamental framework through which an organization can simultaneously assert its vital continuity and facilitate its adaptation to the changing environment. It is one of the top management tools for coping with both external and internal changes. It is the match between the organization resources, skills, environmental opportunities and risks, and the purposes it wishes to accomplish.

A good strategy is one that has simple, consistent and long-term objectives. This involves the single mindedness of goals, unity of purpose and a long-term focus. A good strategy is similarly derived from a good understanding of the competitive environment through appreciating the dynamics of competition and the turbulence of the environment. The strategy should identify opportunities in the environment and exploit them as well as identifying threats and guarding the organization from them (Porter 1980).

For a strategy to be successful, there ought to be an objective appraisal of the resources of an organization, which, involves understanding strengths and exploiting them while understanding weaknesses and threats and protecting the organization against them. The strategy should also be effectively developed and implemented. This entails matching the strategy to the organizations structure, addressing issues of strategy and leadership, organizational culture, stakeholders' expectations and other internal organizational variables (Johnson and Scholes 2002)

1.1.2 STRATEGY DEVELOPMENT

The process of strategy development in organizations is often less understood and taken for granted. This is probably because many organizations assume that strategy will be automatically developed by top management and passed down for implementation (Nyamweya 2004). Various authors and scholars have advocated several approaches to the strategy development process in organizations. However, the approaches only offer partial explanations about the strategy development process. The way that managers approach their strategy development in organizations differs, and is determined by both the environmental and organizational factors. The success of any strategic move can be partially attributed to the way the strategy is developed. Nyamweya (2004) further points out that managers develop strategies to guide how an organization conducts its business and how it will achieve its target objectives. Without proper strategy development, there is no established course to follow, no roadmap to manage by and no comprehensive action plans to achieve the intended results.

Strategy development often varies with and depends on the size of the business under consideration. The entrepreneurial mode is often visible in small businesses while the rational and analytical mode is practised in larger organizations. Johnson and Scholes (2002), in explaining strategy development in organizations, observed that most people make sense of complex situations (strategy development) in more than one way. They argue that the development and management of strategy can be viewed through three lenses namely design lens, experience lens and ideas lens.

The design lens views strategy development as the deliberate positioning of the organization through a rational, analytic, structured and directive process. One major assumption underpinning the design approach is that strategy development is seen as a process of systematic thinking and reasoning whereby although the range of influences, on an organizations performance are many, they can be understood through careful analysis such as to identify those which are most likely to influence the organization significantly. The strategy of an organization is hence the result of decisions made about the positioning and repositioning of the organization in terms of its strengths in relation to its markets and the forces affecting it in its wider environment. The decisions about what the strategy should be in terms of its content come first and are cascaded down through the organization to those who make things happen. This implies that decisions about what strategy should be are separate from the implementation of that strategy. This view also assumes that there are tools and techniques which enable managers to understand the nature and impact of the environment an organization faces, the particular competences of that organization, the influence of powers within and around the organization, the organizational culture and its links to strategy and the strategic choices available to the organization (Johnson & Scholes 2002).

Mintzberg (1985) argues that in the design view, strategy development is a logical process in which economic forces and constraints on the organization are weighed carefully through analytic and evaluative techniques to establish a clear strategic direction and carefully plan for the implementation of the strategy.

The experience lens holds that since strategy is about the long-term direction of an organization, it is understandable that it might be thought of in terms of major decisions about the future taken at a point in time at the top of the organization and resulting in one-off major changes (Johnson & Scholes 2002). According to this view, strategy is better understood in terms of continuity "or momentum", whereby once an organization has adopted a particular strategy, it tends to develop from and within that strategy, rather than, fundamentally changing direction. The experience lens hence views strategy development as the outcome of individual and collective experience of individuals and the taken-for-granted assumptions most obviously represented by cultural influences.

Finally, the ideas lens view strategy as the emergence of order and innovation from the variety and diversity, which exists in and around organizations. New ideas and therefore innovation may come from anywhere in an organization, or indeed from stimuli in the world around it (Johnson and Scholes 2002). This view holds that people interpret issues in different ways according to their experience and may come up with different ideas based on personal experience. This probably explains why some organizations are more innovative than others and why some cope better with changing environments than others do.

1.1.3 PUBLIC CORPORATIONS

A public corporation can be defined as an activity of the government, whether central state or local, involving manufacturing or production of goods (including agriculture) or making available a service for a price, such activity being managed either directly or through an autonomous body with the government having a majority holding (Narain, 1979). Public corporations are partially or fully government owned and controlled. Narain further points out that the establishment and continuance of a public corporation is a political decision, and its operation's are controlled at strategic points by a system where the government has the final say.

The environment of a public corporation is a complex phenomenon and has not yet been adequately conceptualised. It's more unpredictable and less stable than that of private enterprises, mainly because of its very large socio-political contents (Koske, 2003). Sometimes, depending upon the nature of a public corporation, the environment becomes turbulent, confusing the management of the organization in the process (Edwards, 1967). Edwards further points out that public corporations have numerous objectives, more ambiguous and less distinguishable from qualifying conditions. Moreover, they fluctuate in their supposed order of priority, not merely from government to government, nor even from year to year, but almost from day to day at the whim of public and parliamentary option. Management does not have the freedom to optimise its own performance in pursuit of a single objective, or even in pursuit of a number of stable and compatible ones.

In Kenya, public corporations have received as much bad press from the 1990's as they received good praise in the immediate post independence period as potential instruments of national, economic and social development (Kangoro 1998). They have been criticized not only on the basis of their record of performance but also for the economic and social problems of the country as a whole. Public corporations are notoriously inefficient and they contribute substantially to many of the problems hindering economic growth (Kangoro 1998). Specific problems associated with Kenyan public corporations include poor economic performance, overstaffing, inefficiency, overvalued assets, high debt ratios causing constant drain on the national treasury, non-responsiveness of top management unable to take advantage of changing domestic and international commercial opportunities and irresponsiveness to public expectations. However, it is also true that public corporations are victims of circumstances beyond their control. They operate in an economic, political, cultural and technological context that almost guarantees failure and in which organizational survival rather than profitability, efficient service delivery, sustainability and growth is always the first priority of the top management (Kangoro 1998).

There are approximately 200 public corporations in Kenya, which employ approximately 200,000 people. The government in an attempt to ensure and acquire control of all productive assets formed the corporations to take up business and in the process, promote socialism and guarantee that the public derived maximum benefits from these resources (Wachira 2004). The government felt that the citizens would reap benefits from such business if they were state owned. The primary

objectives of the corporations, according to a study carried out by IEA (1994) was; a desire to take hold of the economy, to promote a Kenyan entrepreneurial class and to earn a share of the profit otherwise received by private sector. Wachira (2004) further points out that the initial thought of setting up these organizations was noble but most of the political leaders at the time were capitalists and the vision got lost along the way. Influential individuals turned to these enterprises with a single desire to reap maximum personal benefits at the expense of the rest of the public, which, led to gross mismanagement and hence massive losses. To stem some of the losses realized, attempts have been made to shed off some of the government shareholding to private investors by issue of shares through the Nairobi Stock Exchange (NSE).

In order to introduce prudent management and promote accountability and transparency in the public corporations and all state departments, the current government, through the Economic Recovery Strategy For Wealth Creation (2003-2005) introduced the signing of performance contracts by permanent secretaries and chief executives of all public corporations. The performance contracts typically commit the management of public corporations and other state departments to certain targets, objectives and courses of action within a stipulated time frame. The contracts are expected to improve efficiency and raise the level of accountability and transparency in management of public resources. This has led to more emphasis on the adoption of strategic management by the public corporations with an aim of boosting performance, securing survival and promoting economic growth.

1.1.4 NATIONAL HOSPITAL INSURANCE FUND

On attaining independence in 1963, the Government of Kenya (GoK) published its commitment to eradicating poverty, illiteracy and promoting good health. Towards achieving the latter, the government pursued a policy of "free health services" in government health facilities. To compliment this, National Hospital Insurance Fund was established in 1966 through an Act of Parliament Cap. 255, Laws of Kenya, as a department within the Ministry of Health. Since then, various amendments have been made to the Act with the first in 1972; which allowed the enrolment of voluntary membership mainly targeting self-employed persons. In 1990, it was further amended to provide for contributions on a graduated scale based on income and subsequently the NHIF Act No 9 of 1998, which made the Fund a Public corporation with a broadened mandate. The Fund is obligated to finance healthcare services to all eligible Kenyan residents. This is anchored on the social principle of solidarity; whereby the rich support the poor, the healthy support the sick and the young support the old; hence, guarantee accessibility to healthcare services.

The functions of the Fund, as outlined in the National Hospital Insurance Fund Act No. 9 of 1998, Laws of Kenya, are to register and receive all contributions and other payments, make payments out of the Fund to declared hospitals and set criteria for the declaration of hospitals and to accredit them. The Fund also regulates contributions payable to it, the benefits and other payments to be made out of the it, protects interests of contributors to the Fund and advises the Government on the national policy to be followed with regard to national health insurance and to implement all government policies relating thereto.

The Fund operates as a compulsory health contributory scheme that requires every resident above 18 years and earning a monthly income of at least Kshs.1,000 to contribute. Contributors to the Fund have increased from 40,000 in 1966 to about 100,000 in 1972 and 1.5 million currently. The current population of Kenya is approximately at 32.7 Million people and it is the aim of the Fund to serve the entire population of the country. The management and administration of the Fund is vested on the Board of Management while the day-to-day management and implementation of policy matters is vested on the Chief Executive Officer (CEO). The CEO in turn delegates some of the responsibilities to the management team who are appointed by the Board. NHIF discharges its mandate through policy direction from the Head office to its 23 autonomous branches under Branch Managers. Satellite offices and other service points support branches in service delivery. NHIF has improved its efficiency through an online Wide Area Network and it is currently striving to rationalise its service network.

Since inception, NHIF has encountered unique challenges and problems, which make it an interesting case to study. Such issues and challenges include the following:-

Membership

Since its creation, the Fund has enjoyed government protection in terms of mandatory contributions, and an employer network for collection of contributions, free of charge. This has translated into a monopoly situation, such that membership registration was not demand-driven but legal driven. Similarly, there has been a negative reputation of the organizations services, with many members feeling that

they don't get value for their contributions to the Fund. Strategy development in the institution should be able to offer lasting solutions to this challenge as well as ensuring value creation for the members. It would be interesting for scholars in strategic management to find out how NHIF has strategically dealt with this challenge.

Liberalization

Although the Government is cautious, the possibility of liberalising the health insurance market cannot be overlooked. This shall imply that it may not be mandatory for employers to deduct contributions and remit these to NHIF. If liberalized, the big question is "can NHIF stand and survive on its own given the competitive market it conducts its business in?" Ideally, such a move would pose a serious challenge to NHIF and strategy development should be able to address the impact of liberalization to the organization.

Competition

As the GoK's medical services have continued to deteriorate, many health insurance companies have responded to demands for better private health insurance benefits. As it is, this is one way of getting the people off the government's back and pushing some of the health care expenditures to the private sector. The Funds competitors include firms, establishments and mechanisms that provide a safety net in meeting health care costs. These include conventional private insurance companies, HMO's, Micro Financing organizations, among others. The Funds competitors have come up with innovative and competitive products in line with the changing consumer

preferences while the Fund has stuck to a single product. Moreover, the current National Health Strategic Plan clearly states the need for the government to encourage private sectors participation in healthcare delivery (MOH, 1999). This implies that the Fund still has substantial competition despite enjoying a legal cushion. NHIF is hence faced with a key challenge of increased competition from private health insurance providers.

Increase In Claims

Resurgence of old diseases, such as tuberculosis and malaria and emergence of new ones such as HIV/AIDS has lead to increase in claims volumes. The NHIF must have sound strategies to check the impact of such developments and chart an acceptable way forward that shall guarantee sustainability. Currently HIV/AIDS is taking a disproportionate share of resources meant for health services, with over two million people reported to have full blown AIDS in early 1999 (GOK 1999). These patients occupy over 50% of medical beds in public hospitals. This is a challenge that NHIF must deal strategically with in order to ensure sustainability.

Declining Workforce

The Fund draws its revenue mainly from the formal sector of the economy. This sector has witnessed a declining growth occasioned by company closures, downsizing, and retrenchments. Slow economic growth, which the country has been reporting since the early 90's is also a contributing factor to a declining workforce. A decline in workforce translates to lesser contributions to the Fund and consequently leading to financial constrains while discharging its mandate.

Over the years the Fund has gone through various changes to make it more relevant to the beneficiaries and other stakeholders. In responding to the dynamic business environment and increasing calls for efficiency and effectiveness, the Fund has made key strategic adjustments to improve on its performance. Some of these include computerization of operations to check on fraud and improve efficiency, decentralization of services, expansion of branch outlets to facilitate access to NHIF services by members and other stakeholders, expansion of accredited health-care facilities and enhancement of daily rebates. The Fund has also embraced modern business practises and the concept of customer care by making deliberate efforts to respond to the needs and expectations of its members and other stakeholders. The Fund embraced strategic management in 2001, with its inaugural 5-year strategic plan covering the period 2001-2006. The second strategic plan covering the years 2006-2011 is now in its early implementation stages.

1.2 RESEARCH PROBLEM

The environment in which Kenyan public corporations exist and with which they interact is increasing in complexity and the rate of change is accelerating. There is increasing pressure to perform from the Kenyan public and donors and with such pressure, the public corporations managers must have the capacity to adapt and restructure the organizations to challenge the constraints (Kangoro 1998). Kangoro further states that though public corporations do engage in strategic management, the top management and other employees lack the commitment and hence poor strategy implementation.

Kenyan public corporations operate in an environment characterised by a lot of influence from the government and the ruling elite of the day. Though many seek to offer better services to the public, political forces constantly threaten their endeavours and they end up serving the interest of the political class (Kangoro 1998). In order to achieve some relevance to their environments, many public corporations have resorted to strategic management practises, as was evidence by Kangoro in 1998. There is however need to look more closely on the strategic management process as practised in these organizations and identify the challenges that the organizations face in the process.

Kangoro (1998), documented strategy practices in the public sector in general in a study that concentrated on the aspects of strategy formulation as opposed to the entire strategic management process. In that respect, she recommended further research to be carried out to document aspects of strategy implementation, strategy

development, strategy analysis and choice and strategy evaluation and control in the public sector. Karanja (2004) carried out a study on strategic planning and performance of public corporations in Kenya. In these studies strategy development has not been addressed. There is hence a need to identify whether strategy development in public corporations assists in dealing with the strategic problems faced by these organizations and the challenges of the strategy development process.

Strategy development has been previously studied (Muhoro 2004, Nyamweya 2004 and Warsame 2002). However, these studies are biased in that they deal with the private sector only. A search of the available literature did not find any study of strategy development and its challenges in public corporations. This research therefore aims at documenting strategy development in public sectors organizations in Kenya, using the case of the National Hospital Insurance Fund. The research also explores the extent to which the process addresses the strategic problems of the organization and the challenges the organization faces in the strategy development process.

It addressed the following questions:

- i. How does NHIF develop in strategies?
- ii. Does strategy development address strategic problems in the organization?
- iii. What challenges does NHIF face in its strategy development process?

1.3 RESEARCH OBJECTIVES

- i. To determine how NHIF develops its strategies
- ii. To establish whether strategy development addresses strategic problems of the organization
- iii. To establish the challenges faced by NHIF in developing its strategies

1.4 SIGNIFICANCE OF THE STUDY

To researchers and academicians: This research provides an understanding of the nature of strategy development in Kenyan Public Corporations. It shows the depth of understanding and practise of strategy development in the NHIF and whether strategy development in the organization deals with strategic issues. This is vital for future reference and contributes to the available body of knowledge.

To the National Hospital Insurance Fund: The research shall provide valuable insight to the management and staff of NHIF on strategy development. It shall help in the formulation of the relevant policies and also help to identify solutions to some of the challenges faced in strategy development in the organization.

To other public corporations: The research shall provide valuable information on the intricacies of strategy development in public corporations. Other corporations can use the findings as reference points in their strategy development processes and find out how strategy development can be used to deal with strategic issues of public corporations.

CHAPTER TWO

LITERATURE REVIEW

2.1 THE CONCEPT OF STRATEGY

Aosa (1992) pointed out that the major task of managers is to assure continued existence of their organizations. To this end, one of the concepts that have been developed and is very useful to management is strategy. Various leading management scholars and practitioners have underscored the importance of this concept. Such scholars include Porter 1980, Mintzberg 1987, Johnson and Scholes 1999 and Ansoff 1990 among others. This section shall hence focus on this important concept of strategy as a backbone for understanding the strategy development process.

Different authors have defined strategy in different ways. The various definitions suggest that the authors gave selective attention to aspects of strategy, which are all relevant to our understanding of the concept (Aosa 1992). Chandler (1962) defined strategy as the determination of the basic long-term goals and objectives of an organization, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Chandler considered strategy as a means of establishing the purpose of an organization by specifying its long-term goals and objectives, action plans and resource allocation patterns to achieve the set goals and objectives.

Porter (1980) viewed strategy as building a defence against the competitive forces and finding positions in the industry where the forces' are weakest. Knowledge of

the company's capabilities and of the causes of the competitive forces will highlight the areas where the company should confront competition and where it should avoid. Strategies need to be considered not only in terms of the extent to which the existing resource capability of the organization is suited to opportunities but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future.

Mintzberg (1987) proposed five definitions of strategy. To him strategy could be seen as plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies a consciously intended course of action of an organization. The strategy is designed in advance of actions and is developed purposefully. As a ploy, strategy is seen as a manoeuvre to outwit competitors. As a pattern, strategy is seen as a pattern emerging in a stream of actions. Here strategy is seen as a consistency in behaviour and the strategy develops in the absence of intentions. As a position, strategy is a means of locating an organization in its environment. And lastly, as a perspective, strategy consists of a position and of an ingrained way of perceiving the world. It gives an organization identify of a personality.

As evidenced in these varied definitions, none can be said to capture explicitly all the dimensions of strategy. Hax and Masluf (1996) argues that the lack of a precise definition of strategy can be attributed to the fact that strategy is a multi dimensional concept in terms of content and substance which, embraces all critical activities of the organization providing it with a sense of unity, direction and purpose, as well as facilitating the necessary changes induced by its environment.

Nevertheless, most authors in terms of definition emphasize on the essence and nature of strategy and agree that strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization.

There are basically three levels of strategy. These are corporate, business and functional (Ansoff 1965, Pearce and Robinson, 1997). Corporate strategy is primarily concerned with identifying the set of different business a company is to be in i.e. the various businesses in which the company will compete. These may be businesses within the same industry or in a different industry. Strategy at this level also specifies how total corporate resources will be allocated among the various businesses that the company is involved in. Business level strategy focuses on how each business unit will compete in a particular industry, market or market segment. It addresses issues on how to develop and maintain a competitive edge in the market. The business unit management has to ensure the different functional activities are intergraded in such a way as to achieve and maintain the desired competitive competence in the market (Pearce & Robison 1997). Finally, functional level strategy primarily focuses on achieving maximum use of resources i.e. to attain maximum resource productivity. It addresses issues regarding to the coordination and integration of activities within a single function.

Pearce and Robinson (1997) point out that strategy helps in providing long-term direction for an organization. This provides a perspective for the various diverse activities overtime, which enables organizations perform current activities at the same time viewing them in terms of their long term implications for the probable

success of the organization. Similarly strategy helps companies to cope with change (Pearce & Robinson 1988). Due to the constant changes in an organizations operating environment, companies needs strategy in order to respond to these changes at all time. Strategy can help to guide the pattern of responses of companies to changes taking place in their environment.

Strategy enables companies to focus their resources and effort (Pearce & Robinson 1988). The development of strategy helps managers identify critical tasks that need to be performed and hence helping in defining an organizational strategic thrust. Strategy also helps an organization develop a competitive advantage in the market. This in turn enables the organization to out perform and outwit the competition successfully. Porter (1980) underscores the role of strategy by arguing that the goal of strategy is to help secure enduring competitive advantage over rivals.

Chandler (1962) argues that the structure of an organization follows the strategy of the organization. He point out that different strategies are best implemented if certain organizational structures are developed. If a company has developed an appropriate strategy, this becomes a good guideline in designing an appropriate structure to carry out the strategy (Aosa 1992). In essence therefore, strategy helps in achieving a more effective organization. Thompson & Strickland (2003) points out that an excellent strategy is the best test for managerial excellence and the most reliable recipe for organizational success.

2.2 STRATEGY DEVELOPMENT IN ORGANIZATIONS

One of the greatest controversy surrounding strategy-making process centres on how explicitly strategy should be communicated both internally within the organization and externally to relevant constituencies (Muhoro 2004). Muhoro further points out that a high degree of explicitness would mean there is open communication regarding strategy and strategy formation. Thus the development is based on a set of procedures which are communicated through manual instructions explaining who is going to do what, and when and therefore involving participation of many people.

Another element of controversy in strategy development resides in timing of strategy. There are those who view strategy as a forward looking plan, that is, strategy being the collection of objectives and actions oriented at shaping the future direction of an organization. Strategy hence precedes the event it governs (Hax and Masluf 1996). On the other hand, strategy is seen as a pattern of actions emerging from the past actions of the organization. Strategy in this sense emerges from, as opposed to preceding the activities it governs (Mintzberg 1987). Mintzberg, a leading proponent of the emergent strategy view, says that strategy should be considered as deliberate when its realization matches its intended course of actions and emergent when the strategy is identified from the pattern of consistencies observed in behaviour despite of or in the absence of intention. From Mintzberg's view, strategy development process can be seen as a continuum with deliberate strategy or one end and emergent strategy at the other.

Strategy development depends on the organization under focus and the environment of that organization. Organizations are open systems, which depend on the environment for inputs that they process and provide back to the environment as outputs (Kangoro 1998). In order to see how the concept of strategy development would apply differently in public corporations, it is necessary to consider perceived differences between the private and public sector environments. Kangoro (1998) identified the following differences: -

- i. Goals in private sector organizations are quantitative, unchanging, consistent, unified, operational, clear and measurable. On the other hand, public sector goals are qualitative, variable, conflicting, complex, non operational, ambiguous and non measurable. These differences in goals may be observed from the respective objective statements.
- ii. Private and public organizations differ with respect to Funding and external coalitions. Public organizations obtain Funds from a variety of sources: local and central government, grants, customers and loans. They are therefore subject to a variety of controlling influences. The recipients of public sector goods and services pay a nominal charge and hence the degree to which their interests will be of paramount importance in strategic decisions may as well be small.

These differences in environments lead to differences in strategy development processes between public and private sector organizations. However, despite these differences, the environment of private and sector organizations share several similarities. These include the following: -

- i. Both sector organizations interact with the environment. Irrespective of the sectors they operate in, both sector organizations must constantly scan their environments and respond to changes in it.
- ii. Organizations in both private and public sector must engage in present and planned resource deployments in order to survive.
- iii. Managers in both these sectors perform similar tasks of planning, organising, leading, motivating, controlling and evaluation. These tasks require the skills of decision-making, communication and negotiation.
- iv. Both private and public sector organizations have as their ultimate goal of maximization of stakeholder wealth; the shareholders in the case of private sector organizations and the general public in the case of public sector corporations.

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

Johnson and Scholes (2002) identified various observable strategy development processes in organization. These processes, discussed below, include strategic planning systems, strategic leadership, organizational politics, logical incrementalism, organizational learning and imposed strategy.

2.2.1 Strategic Planning Systems

Often strategy development is equated with strategic planning systems. In many respects they are the archetypical manifestation of the design approach to managing strategy (Johnson and Scholes 2002). Such processes may take the form of highly systematized, step-by-step chronological procedures involving many different parts of the organization. Strategic planning systems provide structured means of analysis and thinking about complex strategic problems while encouraging longer-term view of strategy. They also can be used as a means of control by regularly reviewing performance and progress against agreed objectives or previously agreed strategic direction. They serve as a useful means of coordination and communication of the intended strategy. Similarly strategic planning systems can be used as a way of involving people in strategy development, therefore perhaps helping to create ownership of the strategy (Johnson and Scholes 2002).

There are however significant problems with the use of strategic planning systems to develop organizational strategies. Some of these include the fact that the process of strategic planning may be so cumbersome that individuals or groups in the organization might contribute to only part of it and not understand the whole. Similarly strategic planning can become over-detailed in its approach, concentrating on extensive analysis which, whilst sound itself, may miss the major strategic issues facing the organization (Johnson and Scholes 2002).

2.2.2 Strategic Leadership

Leadership is generally defined as the ability to influence others towards achievement of organizations goals and objectives (Muhoro 2004). Kotter (1990) emphasizes that leadership is not the same as management. He argues that while management is about coping with complexity, leadership by contrast is about coping with change. Leaders set the directions, define the context and help produce coherence for the organization. They manage culture or at least the vehicle through which that culture is expressed as well as setting boundaries for collaboration, autonomy and the sharing of knowledge. They give meaning to events that otherwise appear random and chaotic. Nyamweya (2004) observes that leadership involves setting a direction within which planning exercises can be effective, leading to the saying "managers lead within paradigms while leaders lead between paradigms". Nyamweya (2004) further argues that strategic management will require leadership that is focussed on both the external environment and internal resources. This is critical because the organizational capability has to be continually aligned to the changes in the environment in order to exploit any arising opportunities and guard against arising threats.

Strategy development may be strongly associated with an individual – a strategic leader. Johnson and Scholes (2002) define a strategic leader as an individual upon whom strategy development and change are seen to be dependant. The strategic leader fills the implementation role, which puts a premium on ability to communicate, skills to identify the potential in people and to motivate them to exercise this potential to the fullest (Ansoff & Mc Donnell 1990). Thompson and

Strickland (2003) observe that it is management's responsibility to exert strategic leadership and commit the organization to going about its business in one fashion rather than another.

Strategic leaders are individuals personally identified with and central to the strategy of their organizations, their personality or reputation may result in others willingly deferring to such an individual and seeing strategy development as his or her province. In other organizations an individual may be central because he or she is the owner or founder; often the case in small businesses. The experience lens, discussed previously suggests that the strategy advanced by the individual is formed on the basis of that individual's experience, perhaps within the organization or perhaps from some other organization (Johnson and Scholes 2002).

2.2.3 Organizational Politics

Organizational politics must be viewed, as an inevitable dimension of decision making that strategic management must accommodate (Pearce and Robinson 1997). Managers often suggest that the strategy being followed by the organization is really the outcome of the bargaining and power politics that go on between important executives. Such executives are continually trying to position themselves such that their views prevail or that they control the resources in the organization necessary for future success (Johnson & Scholes 2002). The political view of strategy development is, then, that strategies develop as the outcome of processes of bargaining and negotiation among powerful internal or external interest groups (or stakeholders). Certainly the interests of different stakeholders and the protection of

these interests can get in the way of strategy development. Johnson and Scholes further point out that political activity gets in the way of thorough analysis and rational thinking. On the whole, it is seen as an inevitable but negative influence on strategy development.

2.2.4 Logical Incrementalism

Quinn (1995) observed that the management process could best be described as logical incrementalism. Managers have a view of where they want the organization to be in years to come and try to move towards this position incrementally. They do so by attempting to ensure the success and development of a strong, secure but flexible core business, building on the experience gained in that business to inform decisions about the development of the business and perhaps experimenting with side best ventures (Johnson & Scholes 2002).

Logical incrementalism can be thought of as the deliberate development of strategy by "learning through doing" or the "crafting" of strategy. This view of strategy making is similar to the descriptions that managers themselves often give of how strategies come about in their organizations (Johnson & Scholes 2002). In logical incrementalism, there is a reluctance to specify precise objectives too early, as this might stifle ideas and prevent experimentation. Managers in logical incrementalism development of strategy see their job as "strategists" as continually, proactively pursuing a strategic goal, countering competitive moves and adapting to their environment, whilst not "rocking the boat" too much, so as to maintain efficiency and performance. Logical incrementalism does not fit a neat sequential design

approach to strategy development. The idea that the implementation of strategy somehow follows a choice, which in turn has followed analysis, does not hold. Continual testing and gradual strategy implementation provides improved quality of information for decision making and enables the better sequencing of the elements of major decisions.

2.2.5 The Learning Organization

The concept of learning organization, and strategy development as a learning process, became popularised in the 1990's (Johnson & Scholes 2002). In many respects it corresponds to the aspects of logical incrementalism described above, especially in so far as it starts with the argument that the uncertainty and complexity of the world of organizations cannot readily be understood purely analytically.

The world to which organizations have to adapt appears to be so turbulent and unpredictable that traditional approaches to strategic management are simply not appropriate. There is little to be gained from formalized planning approaches with predetermined fixed objectives and analysis that may take weeks or months to work through. The idea that top managers can formulate strategies implemented by others also becomes redundant because top managers are less in touch with such as a complex and turbulent world than others within the organization (Johnson & Scholes 2002).

The learning organization is then one capable of continual regeneration from the variety of knowledge, experience and skills of individual within a culture, which

encourages mutual questioning and challenge around a shared purpose or vision. It is the one, which facilitates the learning of all its members and continually transforms itself in response to environmental dynamics and changes.

2.2.6 Imposed Strategy

There may be situations in which managers face what they see as the imposition of strategy by agencies or forces external to the organization. Mintzberg (1985) observes that the external environment dictates patterns in action, either through imposition or through implicitly pre-empting or bounding organizational choice. Government may dictate a particular strategic course or direction – for example, in the public sector, or where it exercises excessive regulation over an industry – or choose to deregulate or privatise an organization previously in the public sector. This may not be the choice or even the wish of the managers (Johnson and Scholes 2002). Whilst managers in the organization concerned may not develop an imposed strategy, the strategy has presumably been developed elsewhere and the sorts of explanation of strategy development already given may help explain how that has occurred. It has been argued that the imposition of a general strategic direction can provide impetus for innovation and creativity. Many governments have argued that imposed strategies serve as a way of overcoming the sort of strategic inertia that had arisen as a result of strategies developing incrementally on the basis of history, experience, existing cultural norms or the compromises that result from bargaining and negotiation of powerful groups in an organization. Managers who work for the government or agents of the government tend to see strategy as more imposed than those in private sector (Johnson & Scholes 2002)

2.3 IMPLICATION FOR STRATEGY DEVELOPMENT

Our discussion so far has some important implications for the development of strategies and for managers involved in strategy development. This section shall seek to highlight some of these implications.

2.3.1 Intended and Realised Strategies

Intended strategy is an expression of the desired strategic direction deliberately formulated or planned by managers or by a strategic leader (Johnson & Scholes 2002). In an intended strategy, precise intentions are formulated and articulated by a central leadership and backed up by formal controls to ensure their surprise-free implementation in an environment that is benign, controllable or predictable (Quinn and Mintzberg 1995). Realized strategy on the other hand is the strategy actually being followed by an organization in practise. Strategy development as explained in terms of logical incrementalism or learning may also take form of emergent strategy. In such a case, the strategy that develops is not predetermined by a plan, but grows from the interpretation by people in the organization of their situation and the interactions, debate and sometimes conflict between them. It is worthwhile to note here that there may be a gap between what top managers think strategy is, or should be – the intended strategy, perhaps as stated in the strategic plan – and what is actually going on in practise – the realised strategy.

2.3.2 Strategic Drift

Strategic drift occurs when the organizations strategy gradually moves away from relevance to the forces at work in its environment. Strategic drift is made more

difficult to detect and reverse because not only are changes being made in strategy (albeit within the parameters of the organizations culture), but, since such changes are the application of the familiar, they may achieve some short-term improvement in performance, thus tending to legitimise the action taken. However, in time, both the difference becomes apparent or environmental change increases, and performance is affected (Johnson & Scholes 2002).

2.3.3 Strategic Management In Uncertain And Complex Situations

The different strategy lenses and strategy development processes described herein can also be seen to be more or less useful and applicable in different contexts. Not all organizations face similar environments and they differ in their form and complexity; therefore different ways of thinking about strategy development and different processes for managing strategy may make sense in different circumstances. To expound further, in static conditions, the environment is relatively straightforward to understand and is not undergoing significant change. In such circumstances, if environmental change occurs, it's quite predictable so it could make sense to analyse the environment extensively on an historical basis as a means of trying to forecast future conditions (Johnson & Scholes 2002). In dynamic conditions, managers tend to consider the environment of the future, not just of the past. There is a higher degree of uncertainty and hence need for scenario planning and encouraging the adoption of organizational learning tenets.

2.4 CHALLENGES OF STRATEGY DEVELOPMENT

Like any other process in strategic management, strategy development is faced with various challenges. One prime challenge is environmental turbulence and uncertainty. A changing and unpredictable environment will demand varied responses from organizations (Johnson and Scholes 2002). Such responses may negatively affect the strategy development process of the affected organizations.

Organizational culture and its influence also challenge the development of strategy in any organization. Organizational culture is the basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic taken-for-granted fashion an organizations view of itself and its environment (Johnson and Scholes 2002). Strategies can be seen as the outcome of the collective taken-for-granted assumptions and routines of organizations. It is therefore important to recognize the significance of organizational culture in strategy development.

Government influence also challenges the process of strategy development in that it may impose a certain strategy, which may not be the choice of the management and as such interfere with the strategy that the organization was pursuing initially. Government regulations, taxation policies, foreign trade regulations, social welfare policies and expectations will play a role in an organizations choice of strategy (Johnson and Scholes 2002).

Resources available to an organization underpin the strategic capability of an organization since it is resources that are deployed into the various stages of strategy development. Inadequate resources may hinder sound strategy development in any organization or may limit the choices of strategy available to it.

Resistance to change also impacts negatively to strategy development. Change aimed at making improvement in the organization is at the heart of strategic management. Every strategy developed by senior managers is aimed at strengthening and enhancing organization's performance as well as sustaining and nourishing its very existence. To overcome the resistance, education and effective communication, which, involves the explanation of the reasons for and means of strategic change can play a key role (Johnson and Scholes 2002).

Stakeholder's expectations and interests also challenge strategy development. Stakeholders are those individuals or groups who depend on the organization to fulfil their own goals and on whom, in turn; the organization depends (Johnson and Scholes, 2002). The strategy development of an organization is affected by the values and expectations of those who have power in and around the organization. In strategy development therefore, it is important to understand the expectations of different stakeholders in detail and the extent to which they are likely to influence an organizations purposes, objectives and strategies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This chapter is intended to give details of the research design used to achieve the objectives of the study. The research was carried through a case study design that involved the gathering of facts, opinions and views of the Chief Executive Officer and the management of NHIF on strategy development in the organization.

Kothari (1990) defined a case study as a very powerful form of qualitative analysis that involves a careful or a complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. It is a method of study in depth rather than in breath. The case study method was essential since it allowed an intensive investigation of strategy development at NHIF. Since case study method is a form of qualitative analysis, careful and complete observation of the NHIF was done and efforts made to study the organization in detail and from the case data, generalization and references were drawn. The case study method gave an advantage of having an in depth understanding of the organization by obtaining facts from the management and staff. Study of the NHIF as opposed to all state corporations is very vital given the uniqueness of the Fund as an avenue for promoting health insurance and as a vehicle that the Government uses in translating public policy on health insurance.

3.2 DATA COLLECTION

Both primary and secondary data were used in the research. The primary data was collected through an in-depth interview with the CEO, the organizations 6 General Managers and 20 line managers distributed among the organizations six departments. Open-ended questionnaires were administered and guided the interview with the CEO (see appendix 1). The General and line managers were issued with questionnaires (see appendix 2 and 3 respectively), which upon filling were collected by the researcher. The secondary source of data was the organizations strategic plans, internal memos and minutes of meetings called to discuss strategy development in the organization. Open ended and closed questions were used to ensure that the respondents are not restricted to certain information details. The questionnaires for the general managers and line managers were administered through a drop-and-pick-later method.

3.3 DATA ANALYSIS

The data analysis seeks to establish how strategy is developed in the NHIF, whether the process addresses strategic issues in NHIF and the challenges faced in the process. After all questionnaires were completed, they were checked and verified to ensure consistency, exhaustiveness and completeness in the information expected. The data was then be coded to allow for content analysis. Content analysis is best suited for the kind of data that is to be generated since it avoids subjectivity. In the content analysis, emphasis was given to the existence of certain concepts that are determined by the presence and frequency of certain words or phrases emanating from the interview and the answers to the questionnaires. Statistical data analysis was also applied as deemed necessary.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 STRATEGY DEVELOPMENT IN NHIF

Strategy development in NHIF is highly formalized where the board of directors and the senior management are mainly involved. The senior management formulates the strategies and the Board of directors approves them. This process is characterised by scanning the business environment, determining the strategic goals and objectives and crafting the appropriate strategies to achieve the goals. Various factors are considered in carrying out the process. In an interview with the Chief Executive Officer, it was established that organizational goals, available resources and health care providers are among the issues considered very important in the strategy development process. Other factors considered in the strategy development process include Government policies, customers, and both existing and new competitors.

Table 1: Development Of Strategies By NHIF

Aspect Of Strategy Development	Frequency	Percentage
Market requirements and expectation review	1	14.3%
Inter-departmental consultation	1	14.3%
SWOT analysis	1	14.3%
Vision and mission of the organization	2	28.6%
Set targets on various tasks in the department	1	14.3%
Design the strategies to achieve the set targets	1	14.3%
Total	7	100%

(n=7)

As table 1 above shows, the strategy development process in NHIF is carried out in cognisance with the strategic direction of the organization. The organization establishes the market requirements and reviews the customer's expectations to help identify the correct strategies to adopt, a sentiment represented by 14.3% of the respondents. Similarly from the table, 28.6% of the respondents identified the vision and mission of the organization as a vital aspect of strategy development in the organization. This is because the NHIF management recognizes the role of the vision and mission of the organization in formulating, adopting and developing the relevant strategies. There is wide departmental consultation in the organization, represented by 14.3% of the respondents, where the input of various departments is presented through memos, in meetings and other management forums. These consultations serve as a precursor to the identification of the relevant strategies and help to adopt a shared approach to the strategy development process.

The study also established that strategic leadership is not evident in the organizational strategy development process. This was evidenced through the acknowledgement that the organization did not have a strategic leader. However, logical incrementalism, through learning from previous strategies, experiences and mistakes play a key role in the organizations strategy development process. The management reviews the organizations strategic direction annually and takes this opportunity to identify weaknesses and take appropriate measures.

4.2 CHALLENGES OF STRATEGY DEVELOPMENT IN NHIF

Challenges in strategy development process have a direct impact on the whole process. A key impact of the challenges is delay in the implementation of the strategic plan. This is attributed to the length of time spend in coming up with the strategies and the failure to communicate the strategic direction of the organization to all staff members. The lack of communication consequently leads to lack of ownership of the strategy development process hence hindering sound implementation.

Table 2: Challenges Of Strategy Development In NHIF

CHALLENGE	MEAN	STANDARD DEVIATION
Resources inadequacy	2.00	1.414
Organizational politics	3.00	0.707
Resistance to change	3.80	1.304
Lack of employees support	2.00	0.707
Organizational culture	3.40	1.140
Lack of stakeholders support	2.60	1.140
Communication barriers	3.00	0.707

As table 2 above shows, resources inadequacy and lack of employee support are the least rated challenges of strategy development in NHIF with an equal mean of 2.0. On the other hand, resistance to change, organizational culture and communication barriers are the major challenges to the strategy development process of the institution with a mean of 3.80, 3.40 and 3.00 respectively.

4.3 LINKING STRATEGY DEVELOPMENT TO STRATEGIC ISSUES

NHIF like any other organization has various strategic issues that the strategy development process has to address in order to ensure sustainability. These issues include embracing and utilizing modern technologies, ensuring adherence and conformity to international standards in quality service delivery, registering members, collecting contributions and paying out benefits effectively and efficiently, endearing the organisation to stakeholders and ensuring prudent management of resources. This study sought to identify the extent to which the strategy development process in NHIF addressed the strategic issues of the organization.

Table 3: Extent to which strategy development in NHIF addresses Strategic issues of the organization

Extent of linking strategy development to strategic issues	Frequency	Percentage
A very large extent	5	71.4%
A large extent	2	28.6%
Total	7	100%

(n=7)

As shown in the table 3 above, 71.4% of the interviewed respondents felt that the strategy development process addresses the organizations strategic issues to a very large extent while the remaining 28.6% felt that the process addresses the organizations strategic issues to a large extent.

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 INTRODUCTION

This chapter presents a summary of the research findings where the main objectives were to determine how NHIF develops its strategies, identify whether strategy development addresses strategic issues in the organization and establish the challenges faced in strategy development. Discussions and conclusions based on the study findings are also discussed in this chapter. Finally, limitations of the study, suggestions for further research and recommendations for policy and practice are discussed.

5.2 SUMMARY, DISCUSSIONS AND CONCLUSIONS

The first objective of this study was to determine how NHIF develops its strategies. From the research findings, it was established that the strategy development process in NHIF is formal where the senior management formulates the strategies, which are then approved by the board of directors. The process is carried out with an emphasis on the vision and mission of the organization while taking into consideration market requirements and customers expectations. Key factors considered in the process include government policies, organizational goals and available resources. Strategy development in the organization helps the managers to identify critical tasks that need to be performed and consequently helps in defining the organizations strategic direction.

In conclusion therefore, strategic planning systems can be described as the main way in which NHIF develops its strategies. This is due to the systematic and chronological procedures, involving all the organizations departments, which are identified with the development of the strategies. Similarly, the organization adopts the design lens view of strategy development where there is deliberate positioning of the organization through a rational, analytic and structured process. NHIF strategies are hence the results of decisions made about its positioning and repositioning in terms of its strengths in relation to the market and the forces affecting it in the wider environment.

The second objective of the study was to establish whether the strategy development process addresses the strategic problems of the organization. The study findings indicated that the process addresses the organizations strategic problems to a very high extent. The organizations strategies are developed in order to guide on how to conducts its business, positions itself in the market and achieve its target objectives. There is a deliberate effort to ensure that the input from all the organizations departments is captured while developing the strategies.

The process ensures that there is an established course to follow, a road map to manage by and comprehensive action plans to achieve the intended results. In developing its strategies, the organization adopts a logical process in which economic forces and constraints of the organization are weighed carefully through analytic and evaluative techniques to establish a clear strategic direction and

carefully plan for the implementation of the strategy. This in essence ensures that the organizations strategic issues are comprehensively addressed in the process.

The third and final objective of the study was to establish the challenges faced by NHIF in developing its strategies. The study findings identified resistance to change, organizational culture, organizational politics and communication barriers as the greatest challenges to the process. Resources inadequacy and lack of employee support were identified as the least rated challenges.

From the findings, it becomes clear that internal organization issues challenge strategy development in the organization. This indicates that there is need to come up with ways of addressing the challenges. Training staff and management on change management and identifying ways of changing the organizational culture can play a big role in achieving this end. Effective communication of the organizational strategy and creation of ownership are similarly areas that should be emphasized in order to achieve the intended objectives.

The challenges highlighted above adversely affect the strategy development process. Among the effects is delay in the adoption and implementation of the strategic plan. Similarly, the process takes long and may as well appear to be cumbersome for some people. Communication of the strategy to all employees should be emphasized in order to ensure that all employees are put on board and a sense of ownership of the strategy is inculcated.

5.3 LIMITATIONS OF THE STUDY

The data for the study was collected from the managers in the NHIF head quarters in Nairobi only, leaving out the participation of the organizations branch managers, whose contribution could have enriched the study further.

5.4 SUGGESTIONS FOR FURTHER STUDY

This study concentrated on only one state corporation – NHIF. Similar studies can be done on the other state corporations in order to establish the state of strategy development in Kenyan public corporations. Similarly, studies on strategy development can be done on the whole health insurance industry.

5.5 RECOMMENDATIONS FOR POLICY AND PRACTICE

Based on the findings of this study, the NHIF management should address the identified challenges in order to ensure that the strategy development process is successful. This can be achieved among others, through staff training and enhancing effective communication networks.

It is also necessary to introduce strategic leadership in the organization. This will enable the management to exert leadership in the strategy development process and commit the organization to going about its business in a particular manner. Strategic leaders should be individuals who personally identify with and are central to the organizations strategy.

In order to remain relevant to the public, increase efficiency in service delivery and be sustainable, Kenyan public corporations must embrace the tenets of strategic management. The Government should support this through enacting proper policies and recognizing and rewarding successful corporations.

The NHIF should take advantage of the statutory provisions in the NHIF Act No. 9 of 1998 to come up with sound strategies that shall enable it exert its authority in the health insurance industry in Kenya. Similarly, it should keep a keen eye on the business environment in order to position itself for any future liberalization of the industry.

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APPENDIX 1: CHIEF EXECUTIVE OFFICER (NHIF) QUESTIONNAIRE

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MBA STUDY QUESTIONNAIRE

NB: The information in this questionnaire will be treated confidentially and will **NOT** be used for any other purpose other than academic.

(To be completed by the Chief Executive Officer – NHIF)

1. For how long have you been the CEO of NHIF?

0 – 2 Years 2 – 5 Years Over 5 years'

2. What is the organizations vision?

3. Has the organizations vision changed during your administration?

Yes No

4. If yes what was it before?

5. What necessitated the changing of the vision?

6. What is the organizations' mission statement?

7. Has the organizations mission changed during your administration?

Yes No

8. If yes what was it before?

9. What necessitated the changing of the mission?

10. What are the goals and objectives of the organization?

11. To what extent do the goals and objectives agree with the vision and mission of the organization?

- | | |
|--|--|
| <input type="checkbox"/> A very large extent | <input type="checkbox"/> A large extent |
| <input type="checkbox"/> A minimal extent | <input type="checkbox"/> To no extent at all |

12. How would you describe your business environment?

- | | |
|---|---|
| <input type="checkbox"/> Very stable | <input type="checkbox"/> Fairly stable |
| <input type="checkbox"/> Very turbulent | <input type="checkbox"/> Fairly turbulent |

13. How does your organization develop its strategies?

- | | |
|---|-------------------------------------|
| <input type="checkbox"/> Formally | <input type="checkbox"/> Informally |
| <input type="checkbox"/> Any other (please specify) ----- | |

14. Who is involved in strategy development in your organization?

- | | |
|---|--|
| <input type="checkbox"/> The Board of Directors | <input type="checkbox"/> The CEO and the senior management |
| <input type="checkbox"/> Selected persons | <input type="checkbox"/> Any other (Please specify) ----- |

15. Do you have a criteria for determining who should develop strategies in the organization?

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

16. If yes briefly explain in the spaces provided

17. Using the criteria below, how would you rate the following factors, in order of their importance, as considered during your strategy development process?

Please indicate the rate in the space provided.

(5) Very Important (4) Important (3) Least Important
(2) Not Important (1) Not important at all

- | | |
|---|---|
| <input type="checkbox"/> Government policies | <input type="checkbox"/> Existing competitors |
| <input type="checkbox"/> Contributors | <input type="checkbox"/> Health providers |
| <input type="checkbox"/> Suppliers | <input type="checkbox"/> Available Resources |
| <input type="checkbox"/> Business environment | <input type="checkbox"/> New competitors |
| <input type="checkbox"/> Organizational culture | <input type="checkbox"/> Organizational goals |

18. How is strategy communicated in your organization?

- Top – bottom Bottom up
- Any other (Please specify) -----

19. How would you rate your strategy development process success?

- Very successful Successful
- Not successful Not successful at all

20. Does your organization have a strategic leader?

- Yes No

21. If yes, in the spaces below kindly highlight his or her responsibilities?

22. Using the criteria below, how would you rate the following challenges of strategy development as experienced in your organization? Please indicate in the spaces.

(5) Very challenging (4) Challenging (3) Fairly challenging
(2) Least challenging (1) Not challenging at all

- | | |
|--|---|
| <input type="checkbox"/> Communication barriers | <input type="checkbox"/> Resources inadequacy |
| <input type="checkbox"/> Resistance to change | <input type="checkbox"/> Government policies |
| <input type="checkbox"/> Organizational culture | <input type="checkbox"/> Organizational politics |
| <input type="checkbox"/> Lack of employees support | <input type="checkbox"/> Lack of stakeholders support |

23. Briefly explain the impact of these challenges to your strategy development process.

24. Briefly explain below how your organization deals with these challenges.

25. Are there key strategic issues that your organization has to deal with?

- Yes No

26. If yes, briefly highlight them in the spaces provided.

27. To what extent does your departmental strategy development address the strategic issues of the organization?

A very large extent

A large extent

A minimal extent

To no extent at all

28. Have you experienced any cases of a strategy imposed on your organization?

Yes

No

29. If yes, what was the source of imposition?

30. Briefly give your opinion on the overall strategy development process in your organization.

Thank you for your participation.

APPENDIX 2: GENERAL MANAGERS QUESTIONNAIRE

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MBA STUDY QUESTIONNAIRE

NB: The information in this questionnaire will be treated confidentially and will **NOT** be used for any other purpose other than academic.

(To be completed by the organizations 5 General Managers)

1. Which department do you head?

2. Is your department involved in developing the organizations strategic plans?

Yes

No

3. If yes when was the last time it was involved?

.....

4. Do you have departmental strategies?

Yes

No

5. If yes, briefly explain how you develop them.

.....

.....

6. Is the strategic direction of your department communicated to the rest of the departments and employees?

Yes

No

7. If yes which form of communication is used?

- Memos

 Meetings

 Letters
- Any other (Please specify) -----

8. Are there key strategic issues that your department has to deal with?

- Yes

 No

9. If yes, briefly highlight them in the spaces provided.

10. To what extent does your departmental strategy development address the strategic issues of the organization?

- A very large extent

 A large extent
- A minimal extent

 To no extent at all

11. Using the criteria below, how would you rate the following challenges of strategy development as experienced in your department? Please indicate in the spaces.

- (5)** Very challenging
 (4) Challenging
 (3) Fairly challenging
- (2)** Least challenging
 (1) Not challenging at all
- Resources inadequacy

 Organizational politics
- Resistance to change

 Lack of employees support
- Organizational culture

 Lack of stakeholders support

Communication barriers

12. Briefly explain the impact of these challenges to your strategy development process.

13. Do you have a strategic leader in your department?

Yes No

14. If yes briefly highlight his or her roles.

15. Briefly comment on your role and opinion on the overall organizations strategy development process.

Thank you for your participation.

APPENDIX 3: MANAGERS QUESTIONNAIRE

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MBA STUDY QUESTIONNAIRE

NB: The information in this questionnaire will be treated confidentially and will **NOT** be used for any other purpose other than academic.

(To be completed by the organizations 20 Managers)

1. Which area of the organization do you manage?

2. Are you aware of the current organizational strategies?

Yes No

3. If no, kindly explain below.

4. Are you involved in the development of the organizational strategies?

Yes No

5. If yes, how much are you involved?

Very much Much

Minimally Not at all

6. How did you give your input?

- Through meetings
- Through seminars
- Through memos
- Any other (Please specify) -----

7. Using the criteria below, how would you rate the following challenges of strategy development as experienced in your area? Please indicate in the spaces.

(5) Very challenging (4) Challenging (3) Fairly challenging
 (2) Least challenging (1) Not challenging at all

- Resources inadequacy
- Organizational politics
- Resistance to change
- Lack of employees support
- Organizational culture
- Lack of stakeholders support
- Communication barriers

8. Briefly explain the impact of these challenges to your strategy development process.

10. Do you have a strategic leader in your area?

- Yes
- No

11. If yes briefly highlight his or her roles.

12. Briefly comment on your opinion on the organizations strategy development Process.

Thank you for your participation.

APPENDIX 4: REQUEST TO USE NHIF AS A CASE STUDY

Timothy M. Malusi
NHIF – Limuru
P.O Box 1250
LIMURU

Date: 27th October 2005

The General Manager,
Administration and HR,
NHIF Headquarters,
P.O Box 30443
NAIROBI

Dear Madam,

RE: PERMISSION TO USE NHIF AS A CASE STUDY

I am currently pursuing a MBA Degree at the University of Nairobi. Following the successful completion of all my course work, I am required to present a management research paper on an area of my choice, in line with what I am specializing in – Strategic Management.

To this end, I have identified the topic **"Strategy Development And Its Challenges In Kenyan Public Corporations; The Case Of NHIF"**. My supervisor has looked at the proposal and has already given me a go ahead. However, I cannot study NHIF without your permission and hence my humble request to be given the requisite permission.

I wish to guarantee you that this is a purely academic study, which has nothing to do with good or bad strategy development. As a sign of good faith, I shall avail to the management a copy of my final paper.

I am optimistic that your kind office shall grant me this request so as to enable me finish this noble programme. I am looking forward to your positive response.

Yours faithfully,

TIMOTHY M. MALUSI
PERSONAL NUMBER 1219