STRATEGIC PLANNING AT KENYA PORTS AUTHORITY

BY

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DECLARATION

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

Signed______________________ Date 30/10/06

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This management report has been submitted for examination with my approval as the university professor.

Signed______________________ Date 14/11/2006

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DEDICATION

To my parents the late Sheikh Ali Khamis and Mama Tima Ali Khatib, who despite never having received formal education had the wisdom to ensure all their children went to school.

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ABSTRACT

Strategic planning is the process of determining the destiny of an organization and mapping the actions necessary to realize that goal. It involves seeking answers to the following critical questions: where are we? Where do we want to be? How can we get there? It is the process by which an organization conceives the future and takes the necessary steps to achieve that future. Strategic planning thus requires the setting of clear goals and objectives (Harrison,1995).

The objective of this research project was to establish the strategic planning processes and systems at Kenya Ports Authority. An interview guide was used to facilitate personal and in-depth interviews of the managing director and divisional managers at Kenya Ports Authority.

This was a case study of Kenya Ports Authority (KPA). An in-depth and comprehensive inquiry was conducted on the strategic planning processes and systems at KPA. Primary data was collected using an interview guide and posing of mostly open ended questions. The questions were administered through personal interviews of the respondents. This was a qualitative study in which data was analyzed using content analysis.

Strategic planning at Kenya Ports Authority follows an ordered process. Firstly the government of Kenya pronouncements and policies are reviewed and properly understood. Secondly an assessment of the internal and external environment is undertaken. This is closely followed by the design of the vision and mission statements.

Then comes the phase of developing the strategy and crafting the strategic plan. Implementation of the strategic plan takes place immediately after this and continues throughout the year. Finally monitoring and evaluation of the strategic plan is triggered and goes on throughout the years. The study revealed that Kenya Ports Authority employs an unmistakably and distinctly formal strategic planning system. It also has in place a very structured and ordered system with the roles of the players clearly defined. The strategic planning system at KPA is decidedly top-down with most of the tasks being performed at the highest level of management.

The research study findings point to the fact that Kenya Ports Authority has in place a coherent, seasoned and sound strategic planning process. The strategic planning process is acutely formalized and inherently structured. It is highly ordered and all the steps are somewhat predetermined and properly sequenced. It is abundantly clear that the strategic planning system at Kenya Ports Authority is unmistakably top-down.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Strategic Planning

Strategic planning is the process of determining the destiny of an organization and mapping the actions necessary to realize that goal. It involves seeking answers to the following critical questions: where are we? where do we want to be? how can we get there? It is the process by which an organization conceives the future and takes the necessary steps to achieve that future. Strategic planning thus requires the setting of clear goals and objectives (Harrison, 1995).

Strategic planning processes often involve 'highly systematized step by step, chronological procedures involving many different parts of the organization' (Johnson and Scholes, 2002 pp 61). Elaborate and comprehensive procedures and processes are usually an integral part of strategic planning. Stakeholders concerned agree on priorities that are aligned to its vision and mission. It is important to note though that strategic planning is a process and not an event.

All organizations are environment dependent and cannot afford to ignore it. Organizations affect and are affected by the environment (Pearce and Robinson, 2004). A good strategic plan would be heavily influenced by and reflective of, the internal and external environment. Strategic plans have to be dynamic and flexible to stay in tandem with the turbulent, complex and ever changing environment. The key variables in the environment, such as customers, legislation, competitors, technology, globalization etc. are very volatile and prone to frequent and sometimes unexpected changes.

Over the years organizations have been subjected to many difficult challenges. The business operating environment has been become increasingly complex and unpredictable. Competition between firms has tended to be fierce and sophisticated. Technological changes have completely revolutionized the way firms conduct business. Customers have become well informed and very demanding. Stakeholders apply relentless pressure on business managers to improve performance and create value. Faced with all these challenges, organizations resort to strategic planning.

The benefits attributed to the strategic planning process are many and varied. However, a summary of these benefits would include: a means for analysis and strategic thinking, better coordination of the organization's activities, effective allocation and use of resources, improved monitoring of performance, clear and well defined objectives, better communication and a general improvement in performance (Thompson, 1990; Carter, 1999; Graetz, 2002; Johnson and Scholes, 2002; Reading, 2002).

1.1.2 The Transport Sector

Table 1.1 highlights the performance of the transport sector in the five years 2001 to 2005. In line with the general trend of growth in the domestic economy, in 2005 the transport sector registered a phenomenal growth of 17.8% over 2004. This remarkable performance was triggered by several factors including the exceptional performance of the tourism industry that had a particularly positive impact on the air transport and improvement of activities in the road and water transport sub-sectors. With the exception of the railway transport sub-sector, in 2005 all other sub-sectors registered higher output values over 2004 (Government of Kenya, 2006).

Table 1.1: Transport Sector – Value of Output, 2001 – 2005 KSh million

	2001	2002	2003	2004	2005*
Road Transport	100,400	101,581	111,276	139,148	156,048
Railway Transport	4,878	4,653	4,609	4,674	4,593
Water Transport	9,589	10,490	11,296	13,187	17,204
Air Transport	32,501	34,904	36,409	46,371	62,801
Services Incidental to Transport	12,239	12,214	13,529	16,814	19,470
Pipeline Transport	6,532	6,631	6,761	7,386	7,912
Total	166,138	170,473	183,879	227,580	268,027

* Provisional

Source: Economic Survey 2006 –Central Bureau of Statistics Kenya

The year 2005 saw all but the railway sub-sector return higher output values compared to 2004. Road vehicles registered increased by 7.5% over 2004. Cargo traffic at the port of Mombasa increased from 12.9 million tonnes in 2004 to 13.3 million tonnes in 2005. Jomo Kenyatta and Moi International Airports posted a passenger traffic increase of 6.0% from 5.0 million in 2004 to 5.3 million in 2005. White petroleum products also saw higher volumes transported over the pipeline rising from 3.2 million cubic meters in 2004 to 3.5 million cubic meters in 2005. Rail freight traffic increased slightly from 1.9 million tonnes in 2004 to 2.0 million tonnes in 2005. However rail passenger traffic declined by a considerable 15.8% dropping to 4.8 million in 2005 from 5.7 million in 2004 (Government of Kenya, 2006).

The water transport sub-sector registered a reasonable growth of 3.1% with freight handled rising from 12.9 million tonnes in 2004 to 13.3 million tonnes in 2005. The bulk of this increase in cargo traffic is linked to imports which accounted for approximately 80% of the total traffic handled in 2005. Container traffic handled at the port declined marginally from 438,597 TEUs (Twenty Foot Equivalent Units) in 2004 to 436,671 TEUs in 2005. Table 1.2 shows the details of traffic handled at the port of Mombasa.

Table 1.2: Traffic handled at Mombasa Port, 2001-2005

	Unit	2001	2002	2003	2004	2005*
Containers Traffic	TEUs	290,500	305,427	380,353	438,597	436,671
Imports	000' DWT	8,299	7,844	9,258	10,017	10,701
Exports	000' DWT	1,999	2,380	2,068	2,494	2,278
Total	000' DWT	10,298	10,224	11,326	12,511	12,979

Source: Kenya Ports Authority in Economic Survey 2006

*Provisional DWT – Deadweight Tonnes

Overall the ships plying international waters are becoming increasingly big in size and the cargo they carry is often containerized. Most of the ports globally are rushing to improve expand and improve infrastructure and equipment that can handle containerized cargo. Further, the concept of landlord ports, where the ports are run by third parties, is gaining currency. Partial privatization of port sections such as container terminals is also in vogue in the water transport industry (KPA, 2004).

The transport sector accounted for 18.9% of the GDP in 2005 underlying its importance in the Kenyan economy. It usually plays the very important role in an economy by facilitating the key activity of movement of goods and people. The water transport sub-sector also plays the critical role of handling the bulk of exports and imports in Kenya.

1.1.3 Kenya Ports Authority

The origins of the Port of Mombasa at Old Port are traceable to the dhow trade between East Africa and Arabian Gulf, India and the Far East in the 12th century, carried out mostly by Arabs (KPA, 2005). In the late 19th century the British took over the Port and it became the staging point for forays into the East African hinterland in pursuit of the region's resources. The construction of the Uganda Railway was made possible by the British control of the Port of Mombasa (KPA, 2004)

The first serious development of the port started in 1926 when the construction of two deep-water berths began. This project was completed in 1931. Over the years the port has undergone major development phases and now boasts sixteen deep-water berths with a quay length of 3,044 metres. Three of these berths, with a quay length of 600 metres, are dedicated to container traffic (KPA, 2004).

The Kenya Ports Authority (KPA) was established by an Act of Parliament (CAP 391 of the Laws of Kenya) in 1978. Kenya Cargo Handling Services, which previously handled cargo at the port, was merged with KPA in 1986. The KPA manages the Port of Mombasa which includes Kilindini Harbour, Port Reitz, the Old Port, Port Tudor and the whole of the tidal waters encircling Mombasa Island (KPA, 2004).

The Authority is also mandated to manage other small ports such as Kilifi, Funzi, Kiunga, Lamu, Malindi, Mtwapa, Shimoni and Vanga. With the exception of Lamu all these ports are administered by Kenya Revenue Authority on behalf of KPA. The Authority has also developed Inland Container Depots (ICDs) in Nairobi, Kisumu and Eldoret in order to take services closer to its customers. The Eldoret ICD is however not operational at the moment (KPA, 2004).

In the last few years KPA has embarked on a massive program of reform and modernization leading to the acquisition of some of the 'state of the art' tug boats, various types of cargo handling cranes and a credible information and communication technology system. KPA has also been in the forefront in embracing sound corporate governance principles. Today KPA is arguably a 'first among equals' in the family of state corporations.

The Port of Mombasa is one of the largest and most important ports along the East African coast. It is strategically located to serve the rich commercial, agricultural and industrial hinterland of Kenya. The port is also well-placed to serve countries such as Uganda, Rwanda, Burundi and parts of Eastern Democratic Republic of Congo, North Eastern Tanzania, Southern Sudan, Ethiopia and Somalia (KPA, 2004).

The role played by Kenya Ports Authority (KPA) in the economies of Kenya and the East African region is very significant. The Authority's operations are thus a key driver in these economies. In fact KPA touches the lives of many in the East African region since many goods find their way into the region through the port. Foodstuff, medicines, agricultural inputs, motor vehicles, chemicals, oil etc. form part of the special and general cargo handled by KPA everyday.

The KPA offers various services to its customers. Marine services to ensure ships access to sea, including navigational aids, tugs, pilots and maintenance of channel and basin. Cargo handling services for containers, general cargo, dry bulk, oils and bulk liquids. Land based services including railheads, road links and inland container depots. It also undertakes dockage of ships and short-term warehousing (KPA, 2004; KPA2004a).

In recent years strategic planning has taken center stage at KPA in directing and driving port activities and helping it achieve a sustainable competitive advantage over its competitors. The importance of strategic planning has been emphasized to all key managers. The adoption of strategic planning at KPA has helped transform the organization into a more efficient entity and has considerably improved service delivery and profitability.

The overall KPA strategy and reform program is heavily informed by the wider Government policies and growth strategies. These have been well articulated in various Government policy documents (Government of Kenya, 1992), (Government of Kenya, 2001), (Government of Kenya, 2003). The strategy is also significantly inspired and influenced by Port specific documents (KPA, 2003) and other KPA Board and management directives.

1.2 Problem Statement

Organizations interact with two dimensions of the environment. The remote environment is made up of economic, social, political and technological factors. The operating environment encompasses competitors, creditors, customers, labour markets and suppliers (Pearce and Robinson, 2004). These factors always conspire to pose formidable challenges to organizations. Business operations nowadays traverse multiple geographies and countries. Organizations are also engaged in multiple and diverse businesses. All these issues have contributed to complexity in the way organizations operate.

Competition between organizations has become increasingly stiff, sophisticated and sometimes ruthless. These organizations usually strive to achieve and maintain sustainable competitive advantage over their rivals. Customers are nowadays well informed and very demanding. The bid for satisfying the customer has never been more difficult. Information and communication technology has revolutionised the way business is conducted. Faced with all these gigantic and potentially overwhelming challenges, organizations have resorted to strategic planning.

Kenya Ports Authority also, has had more than its fair share of challenges. It has an interesting array of stakeholders ranging from individuals to organizations and governments. All these stakeholders have varied and diverse needs. Being a public corporation, KPA has to conform and comply with the wishes of the government of Kenya. The introduction of performance contracts in Kenya by the current Government, has increased the need for strategic planning at KPA.

Stiff competition from neigbouring ports such as Dar-es-salaam has complicated matters even further. The poor state of Mombasa-Nairobi road and the dilapidated railway infrastructure, have combined to further compound the difficulties encountered by KPA. Faced with all these challenges, KPA like other organizations has also embraced strategic planning to help it improve and guide its performance.

Many large and established organizations in Kenya, from both the private and public sectors, practice strategic. Various case and cross-sectional studies have been undertaken on strategic planning practices in Kenya (Shumbusho, 1983; Aosa, 1992; Shimba, 1993; Kangoro, 1998; Mbaya, 2000; Mwaura, 2001; Wanjohi, 2002; Busolo, 2003; Mathenge, 2003; Muriuki, 2005). All these studies confirmed that strategic planning takes place in various organizations both in the public and private sectors.

Kenya Ports Authority has also embraced strategic planning. KPA is a large public corporation offering unique and essential services to the East African region. It significantly influences the economies of the East African countries. Its recent impressive key performance indicators (e.g. profitability), suggests the presence of a robust strategic planning process and system at KPA. There is no one best way of implementing strategic planning, and organizations adopt various approaches. How does KPA carry out strategic planning?

1.3 Objective of the Study

The objective of the study is to establish the strategic planning process and system at Kenya Ports Authority.

1.4 Significance of the study

The study will comprehensively document the strategic planning process and system at Kenya Ports Authority. It will stimulate and provoke further studies and debates about the process of strategic planning and the different systems employed. This study will also be illuminative to strategic planners at KPA in particular and to the parent ministry, other parastatals and planning practitioners in general.

1.5 Scope of the Study

This is a case study on Kenya Ports Authority whose objective is to document their strategic planning process and system.

1.6 Structure of the Project

The project presentation is laid out in five chapters. The first chapter is titled 'Introduction'. This chapter briefly expounds on key issues and topics such us: background, Kenya Ports Authority, Problem statement, Objective of the study, significance of the study, Scope of the study and Structure of the project. The second chapter known as 'Literature Review' is a section that reviews the state of knowledge in the topic under study i.e. strategic planning. The third chapter, Research Methodology is a section that covers the important issues of research design, data collection and data analysis.

Data Analysis and Interpretation is the fourth chapter that shows how the data was analyzed and also reveals the meanings and implications of the data deduced from the analysis. The fifth chapter, Conclusions and Recommendations, is the section summarizes the findings and rolls out the conclusions derived from the analysis and interpretation of the data. The pertinent recommendations arising out of this study will also be listed in this section.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Davis and Hughes (1977) suggest that the concept of corporate strategy is a relatively old concept which has recently re-emerged, both as a crucial guide to company decision making and as a topic worthy of academic investigation on its own merits. The concept of strategy can be best understood by looking at the various definitions of strategy advanced by different scholars.

The basic concept of strategy is that of an idea (Kuprenas et al, 2000). Specifically, an idea that defines a path that responds to the internal and external environment (Porter, 1979; Hamel and Prahalad, 1989; Collins and Montgomery, 1991). Rumelt and Schendel (1994) aver that strategy is about the direction of organizations, most often business firms. Porter (1985) argues that a strategy is the organization's route to competitive advantage that will have a bearing on its performance.

It includes those subjects of primary concern to seniour management, or to anyone seeking reasons for success or failure among organizations. Dixit and Nalebuff (1993) argue that interactive decisions in organizations are called strategic and the plan of action appropriate to them is called a strategy. Hussey (2000, p1) portrays strategy as 'the means by which an organization moves to attain its long-term aims'.

A key element, if strategy is to be effective, is a long-term view. A future orientation of strategy is important and some argue it is the most important aspect of strategy. Hamel and Prahalad (1994) augment this position by arguing that strategy recognizes that a firm must unlearn its past before it can find the future.

Quinn (1980, p7) defines strategy as 'the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole'. He also suggests that a strategy 'helps a firm to allocate its resources, to capitalize on its relative strengths and mitigate its weaknesses, to exploit projected shifts in the environment and to counter actions of competitors'.

Hussey (2000) believes that the five elements that are necessary for strategic success include analysis, creative strategic thinking, strategic decision process, implementation and capabilities of decision leaders. Mintzberg's (1976, p934) notion of strategy is 'a pattern in a stream of decisions'. He argues that even if a firm cannot name its strategy, the pattern of their decisions over time would define its real strategy.

Certo and Peters (1995) believe that a well articulated strategy should set a clear direction, know its strengths and weaknesses compared to its competitors, devote its hard-won resources to projects that employ its set of core competences, identify factors in the political and social environment that require careful monitoring and recognize which competitor actions need critical attention.

Hax and Majluf (1991) see strategy as a multidimensional concept that embraces all of the critical activities of the firm, providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by its environment. Mintzberg (1987a) in his 5 Ps concept, sees strategy as a plan, ploy, pattern, position and perspective. Davies (2000) also views strategy as a design or plan for achieving the organization's policy goals and objectives.

Johnson and Scholes (2002, p10) captures the meaning of strategy when they define it as "the direction and scope of an organization over the long term; which achieves advantage for the organization through configuration of resources within a changing environment, to meet the needs of the market and to fulfill stakeholder expectations". This definition also underlies the fact that strategy is linked to the long term.

2.2 Approaches to Strategy Development

Strategy development is a field of study dwelling on how strategies develop in organizations. Experts have espoused convincing but varied opinions on approaches to strategy development. Mintzberg et al (1998) advance three strategy making modes. In the entrepreneurial mode strategy development is spearheaded and championed by a powerful father figure who has incredible and compelling influence in the organization. The strategy would be born out of the vision and intuition of this individual, usually the CEO and/or founder of the organization.

In the adaptive mode strategy development is derived from 'muddling' through the activities of the organization. Managers learn from their actions and past decisions and the situations they face dictate the strategy they would adopt. The planning mode envisions strategy being developed through a systematic, deliberate and conscious engagement of the managers in strategy development. It is all about orderly and analytical thinking. Generally the managers are the key players in strategy development and they drive the whole process.

Johnson and Scholes (2002) argue from the premise that people see the multifarious situations in strategy development in many different ways. That is why there are so many different positions espoused on this subject by the multitude of scholars and experts in this field. To understand how strategies develop, an appreciation of the whole and complete picture is essential. One needs to have a 'helicopter view' of things to really grasp the intricacies involved in strategy development.

Johnson and Scholes (2002) see strategy development through three distinct 'lenses'. The design lens, like Mintzberg's (1998) planning mode, views strategy development as a systematic, orderly, rational analysis and choice. A careful analysis of the external and internal environment is a key component of strategy development in this perspective. Managers play a conscious and deliberate role in strategy development.

The experience lens sees strategy development as being heavily influenced by the organizational experience. It is influenced by the key learnings that are acquired along the way. New strategy evolves from existing strategy; management fine tunes and builds upon it when necessary. Strategy develops in an adaptive fashion. The ideas lens advocates the challenging of the status quo, thinking the unthinkable and appreciation of issues beyond one's experience. Its about reform or even revolution of the organization. A paradigm shift must take place to kick-start the strategy development initiative.

Intended strategy is an 'expression of desired strategic directions deliberately formulated or planned by managers'. Realized strategy on the other hand, 'is the actual strategy being followed by an organization in practice' (Johnson and Scholes, 2002, p75). Very rarely do intended strategies end up being realized. Often the formulated and intended strategies are not realized. Emergent strategy is borne out of actions taken by middle management and other organizational routines (Johnson and Scholes, 2002).

Strategic intent addresses the question of where the firm wants to be or to go. It is an aspiration and a burning desire to achieve the best. Strategic intent represents the ideal future that a firm wishes to create for itself. It is an exciting and vivid dream reflecting the best of an organization. Strategy develops from strategic intent as all organizational strategic decisions coalesce around it. Strategic intent sustains enthusiasm and excitement and focuses the attention of the organization on achieving excellence in whatever it is doing. Management is specific about ends but less prescriptive about means (Hamel and Prahalad, 1994). This is an important view of strategy development.

Under the resource based view approach, strategy is driven by internal resources of the firm (Collis and Montgomery, 1999). The currently resource-based theory or resource-based view (RBV) of firms – is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherent and integrative role that places it well ahead of other mechanisms of strategic decision making (Kay, 1999).

The resource-based view is grounded in the perspective that a firm's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic action than is the external environment (Hint et al, 2001). The resource-based view advances the notion that the most important derivatives of a firm's strategy should be its internal resources.

The rational view of strategy development involves a rational exercise where managers employ proven analytical techniques to make strategic decisions. The strategy development process is highly formal and structured. Every step of the strategy development process involves careful analysis and critical thinking. Strategy precedes the organizational activities that are to be guided. This view resembles Mintzberg's (1998) planning mode and Johnson and Scholes' (2002) design lens.

Under the power behavioural approach, strategy development is greatly influenced by power-behavioural forces within the organization. Power-behavioural forces represent the 'power' wielded by the various stakeholders in the organization and their attendant behaviours. These behaviours are informed by values, culture, politics and management style. The strategy making process must recognize all these variables and dynamics. Strategy formation is therefore a process of negotiation (Mintzberg et al, 1998).

Quinn (1980) argues that neither the planning approach nor the power- behavioural approaches are adequately descriptive of strategy processes. His 'logical incrementalism' approach to strategy development implies that various events that often precipitate interim decisions are dealt with incrementally. Due to the uncertainty of the future, assumptions are first tested to accord the organization an opportunity to learn (Quinn, 1980). Management also remains sensitive to social and political structures in the organization.

Strategic fit and strategic stretch are two basic frameworks that seem to inform the various models of strategy development in organizations. Strategic fit involves forming strategies by identifying opportunities in the business environment and adapting resources and competencies so as to take advantage of these opportunities (De Wit and Meyer, 2004). They also view strategic stretch as the leverage of resources and competencies of an organization to provide competitive advantage and yield new opportunities.

2.3 What is strategic planning?

"Strategic planning is the process of designing the future. It involves leaving a written record of such a design to guide the behaviour of those who integrate the organization, so that the future does not develop arbitrarily but in the way it was planned" (Pacios 2004, p260). There are several definitions of strategic planning that include terms such as 'strategic thrust', 'corporate focus' or 'strategic intent' (Mintzberg, 1993; McDonald, 1996).

Most definitions have, as a 'common thread', aspects of long-term direction of the organization, defining what business the organization should engage in, matching the activities of the business to the environment in order to contain threats and exploit opportunities, as well as matching the organization's activities to the resources available (McDonald 1996).

"Strategic planning thus implies an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way" (O'Regan and Ghobadian 2002, pp 418). The environment is thus a key consideration in strategic planning. McDonald (1998) argues that strategic planning can be a simple exercise or comprise of comprehensive and elaborate processes.

Karger (1991, p2) argues that strategic planning is what sustains strategic management since "its strategic actions must result from strategic planning". Therefore, successful strategic management is impossible without strategic planning. Ansoff and McDonnell (1990) envision it as a multifaceted, complex and time consuming process. Most large firms have distinct strategic planning departments dedicated to overseeing such processes.

2.4 Why do Organizations perform strategic planning?

Most established organizations routinely perform strategic planning for various reasons. Johnson and Scholes (2002) lay out a strong compliment of motives behind strategic planning in organizations. Firstly, they contend that it offers a structured means of analysis and thinking about complex strategic problems, thus giving the managers an opportunity to question and challenge the wisdom presented to them. Secondly, strategic planning often influences the view of strategy on a long-term basis. Of course what is long-term may vary from firm to firm and industry to industry. Capital intensive firms such us oil companies tend to have a much longer-term planning horizon.

Thirdly, it can be used as a control tool through the regular review of performance vis a vis agreed strategic direction and objectives. Fourthly, it can be used as a coordination platform by combining the activities of the various business divisions and ensuring that the organization's resources are used collectively. Fifthly, strategic planning is a very powerful communication tool since it lays bare the organization's aspirations and goals. Since strategic planning often involves people in strategy development it engenders ownership of the strategy by the employees involved.

Finally, strategic planning systems provide the management with an opportunity to influence the future of the organization thereby controlling its destiny. This in turn provides a sense of logic and security for the employees and the organization, leading to increased levels of motivation.

Thompson (1990) believes that when managers and organizations undertake strategic planning they are seeking to clearly delineate the business the organization is in and should be in, improve awareness of the organization's strengths and weaknesses, be able to identify and take advantage of opportunities and to guard against apparent threats, be able to employ a more effective system of allocation and use of resources.

Graetz (2002, p457) postulates that the role of strategic planning is to 'realize and support strategies development through a strategic thinking process and integrate these back into the business'. Carter (1999) posits that strategic planning is a means of monitoring the rapidly changing environment and taking informed decisions based on the outcome of the monitoring exercise.

Reading (2002) advances the notion that the real value of strategic planning is derived from the process; discussion, developing new insights and understanding, and giving birth to new ideas. He further reasons that strategic planning yields many benefits.
One of these benefits is an understanding by all key managers of the business and its unique features. The other benefit is a clear vision of where the organization is going and what needs to be done to get it there. Finally, a commitment by the leadership team to ensure that the strategic plan succeeds, and that the organization moves in the direction deemed to be the most appropriate is also realized.

Phillips and Moutinho (1999) assert that the sole purpose of strategic planning is to improve strategic performance. Organizations therefore perform strategic planning in the hope that their strategic performance would be augmented. This is the most commonly cited reason for strategic planning (Schraeder, 2002). Organizations have also used strategic planning in an effort to provide increased value for money and improve outputs (Wilkinson and Monkhouse, 1994).

Strategic planning promotes strategic thought and action. It also focuses attention on the key issues and challenges facing the organization. Enhanced organizational responsiveness and improved performance are also benefits enjoyed by firms engaging in strategic planning. The organization's people benefit immensely because key managers can better fulfill their roles and meet their obligations. Teamwork is also likely to be strengthened through use of strategic planning (Bryson, 1995).

2.5 Strategic Planning Processes and Systems

2.5.1 Strategic Planning Processes

Bryson (1995, p4) defines strategic planning process as "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it". Neville (2002) sees the strategic planning process as involving strategic thinking, understanding the strategic context and the business, analysis and decision making, action planning, putting it in writing and implementation.

For Bryson (1995) the strategic planning process consists of several steps. These are development of the initial agreement, identification of mandates, clarification of mission and values, external and internal environment assessment, strategic issue identification, strategy development and preparation of a description of the organization in the future.

Another view of the strategic planning process includes crafting a mission statement, objectives setting, situation analysis, strategy formulation, implementation and control.

Reading (2002) argues that the process of strategic business planning begins with planning followed by data collection, building of the team, data analysis, development of the plan, evaluation and finally implementation. There is an apparent general agreement among strategic planning researchers that the strategic planning process comprises of basically three major and broad components. These are formulation (including setting objectives and internal and external environmental analysis); evaluation and selecting strategic alternatives; implementation and control.

Most of the researchers in strategic planning generally mention the following key steps in the strategic planning process. These steps are crafting of the mission and vision statements, situational analysis (both internal and external), implementation, and monitoring and control.

2.5.2 Strategic Planning Systems

Strategic planning systems represent the methodology and approaches employed by organizations to realize the strategic planning. These systems vary from one organization to the next. Various factors influence the choice of strategic planning systems. There is no one strategic planning system that can be said to be the best.

O'Regan and Ghobadian (2002a) acknowledge the existence formal and informal strategic planning systems. The former being popular with large organizations while the latter is predominantly preferred by small organizations. Formal and informal planning systems can also be categorized as structured and unstructured. Hewlett (1999) argues that formal strategic planning systems tend to be more deliberate and systematic.

As strategic planning system can also be top-down where strategic planning is a deliberate process with top executives formulating the strategy. This strategy is then communicated down the organization for implementation. In contrast, a strategic planning system can be bottom-up with the lower levels of employees participating and contributing to strategy formulation.

Lynch (2003) avers that while many organizations undertake strategic planning, the systems employed vary widely and are influenced by three factors. The environment often determines the system selected. A stable environment mitigates for a centralized and longer term strategic planning system. When the product range is more diverse, the planning style moves from "one seeking co-operation across divisions to one based on simple financial linkages" (Lynch 2003, p653). Leadership and management styles also guide the approach to strategy development and its implementation across the organization.

Goold and Campbell (1987) studied 16 UK companies and identified three main strategic planning styles. In the strategic planning style the centre is involved in formulating the plans in the various businesses. Under the financial control planning style, the centre exercises strong short-term financial control but otherwise the businesses are highly decentralized. The strategic control planning style lies between the two styles above.

In his endeavour to profile the typology of planning systems, Harrison (1976) studied 10 large UK companies. He identified seven types of planning systems: financial budgeting, operational planning, production/manpower planning, long range planning, ad hoc strategy formulation, formal strategic planning at intervals and routine formal strategic planning. Gluck et al (1980) studied formal planning systems in 120 manufacturing companies. Four strategic planning systems emerged from the study. These include financial planning, forecast-based planning, external oriented planning and strategic management.

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. It is important to note that the two key determinants of strategic planning systems in organizations are the operating environment and leadership styles.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a case study of Kenya Ports Authority (KPA). An in-depth and comprehensive inquiry was conducted on the strategic planning processes and systems at KPA. Kenya Ports Authority provides specialized services to the Kenyan and regional economies. It plays a very important role in the country and studying its strategic planning processes was of interest to many. The unique nature of its operations, the important role it plays in our economy and its evident success in recent times made it an ideal and attractive candidate for research on its strategic planning processes and systems.

"As a research endeavour, the case study contributes uniquely to our knowledge of individual, organizational, social and political phenomena; the distinct need for case studies arises out of the desire to understand complex social phenomena; in brief, the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events" (Patton and Applebaum, 2003 pp 63). The case study design has been deployed in numerous studies in the past. Most recently several researchers have employed this research design in their studies (Njau 2000; Kiptugen 2003; Muriuki 2005).

3.2 Data Collection

Primary data was collected using an interview guide and posing of mostly open ended questions. The questions were administered through personal interviews of the respondents. The questions were open and unstructured to allow greater depth and breadth in the responses. The respondents were the chief executive officer, five divisional heads and one departmental manager. This method of data collection through open-ended questions has previously been employed in other studies (Kombo 1997; Mutonyi 2003; Muriuki 2005).

Secondary data was generated through a comprehensive and detailed review of KPA strategic and business plans, internal correspondences and other pertinent organizational documents and publications. This data helped in putting the study in the right perspective and providing the requisite background information.

3.3 Data Analysis

This was a qualitative study in which data was analyzed using content analysis. The data was vetted and edited for consistency, validity, and reliability. Content analysis technique was found to be the most appropriate in this case. This technique has been successfully used by other researchers such as Mwanthi, 2001; Kandie, 2001; Kiptugen, 2003; Muriuki, 2005.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Respondent Profiles

The chief executive officer and five of his divisional heads that I managed to interview exhibited a good grasp of the issues under study. This was not surprising given the length and breadth of their rich working experience at KPA and elsewhere. In fact all but one of the respondents had worked for KPA for over ten years. Add to that the excellent academic and professional qualifications that they possess and it becomes easier to comprehend why their responses were of such high quality. Most of the respondents have studied up to postgraduate level.

4.2 Key Strategic Issues at KPA

The master plan, strategic plan and business plan revolve around several key strategic issues. These strategic issues include conversion of KPA into a landlord port through concessioning , privatization and reform of port services and development of requisite port capacity by means of modernization and expansion of the present port and construction of a second port and positioning of Mombasa port among the top twenty in the world. Some of the resultant strategies emanate from World Bank demands and pressure eg privatization and concessioning of port infrastructural facilities. Others derive from Government pronouncements and policies eg construction of the second port and elevation of the port to world class standards of performance.

The landlord port arrangement involves giving concession to another party to provide port services to either ship, cargo or more likely both. A good local example of such an arrangement is the existing setup at Kenya Railways Corporation where a South African firm has been given a concession to operate railway services in Kenya and Uganda. In such an arrangement Kenya Ports Authority would retain ownership of the port and act as a landlord to the third party organization that will be retained to supply the concessioned services in running the port.

A fee would be paid by the port operator to KPA based on agreed terms. KPA would in the intervening period play the role of a regulator akin to that played by the Communication Commission of Kenya in the communication sector. To sustain such an arrangement KPA would require a different set of skills and specialized resources in order to play the role of a regulator effectively.

Privatization would require the partial or total surrendering of the ownership of the port by KPA either through private treaty or sale of shares to a strategic partner and the general public. The World Bank has been pressuring the Kenya government to privatize the container operations. KPA is resisting this move because container operations contribute almost 60% of their revenue.

Besides, KPA has invested colossal amounts of money in modernizing container operations. KPA also argues that it makes more business sense to privatize operations that are not very profitable such as conventional cargo operations. In any case some of the most successful ports such as Singapore and Durban are not privatized but have embraced private enterprise ideals.

The other strategic issue that has taken root recently relates to the creation of a second port primarily to serve Southern Sudan. This port would be situated in Lamu. Road and rail links running from Lamu to Southern Sudan would be put in place to provide a link between the new the port and the Southern Sudan. A Kuwait-based firm is being touted as the leading contender to undertake this project.

Improving the port to world class standards has been a natural and long standing strategic issue at KPA. Every effort is being applied to focus and rededicate KPA towards achieving this goal. Allocation of resources, staff training and top management efforts all take cognizance of this strategic issue. It is an issue that is consuming a great deal of time of the top management at KPA.

4.3 The Strategic Planning Process

While strategic planning has existed in KPA in one form or the other, formal strategic planning started in 2003 with the launching of the Strategic Road Map covering the period 2003 – 2008. The concept of strategic planning is strictly speaking a fairly new phenomenon at KPA. Master plans have been around much longer and have been used as an important management tool. Master plans are very long term projections spanning twenty years.

The KPA managing director and the seven divisional heads and the head of internal audit (direct reports) congregate at a workshop, usually at an offsite location, to deliberate on strategic planning. This internal process is facilitated by a chairman of the "Team A". Subsequently the first draft is discussed with the Managing Director who gives his general views and directions primarily as a critique of the work done. The "Team A" then brainstorms on the submissions and proceed to finalize the Strategic Plan at the Headquarters. The whole strategic planning process is however driven and coordinated by the corporate services manager. He is the person responsible for ensuring the process runs smoothly and flows in a logical and cohesive manner.

At the workshop the participants critically review the organization in terms of where it is at the moment and where it wants to be. This involves a thorough assessment of the internal and external environment to determine realities of things as they stand now and perhaps where they are headed. To assess internal environment the key tool employed is the SWOT (strengths, weaknesses, opportunities and threats). This approach broadly fits the functional approach to internal analysis.

Prior to the workshop the divisional managers would have performed a pointed and focused analysis of the strengths and weaknesses that obtain in their divisions. A serious review of the opportunities and threats facing their divisions would also have been undertaken. The divisional managers would then subject their findings to peer review amongst themselves. All the comments and suggestions are then incorporated into the final SWOT analysis conducted by the whole team.

The external environment is assessed using tools such as PESTEL (political, economic, social, technological, environmental and legal) analysis, industry analysis and competitor analysis. In the industry analysis, key success factors and drivers of change are given prominence and carefully studied and analyzed. KPA uses competitor analysis to identify competition and try to guess what their strategy is.

The political environment is gauged using all manner of data sources including newspapers, government and opposition activities and commentaries by political analysts. Economic indicators such as GDP, inflation rates, FOREX position, interest rates, economic growth rate, money supply are used to assess the economic environment. This information is usually obtained from Central Bank reports and from publications of practising economists and leading financial institutions such as Old Mutual, Standard and Barclays Banks. World Development Reports, Consultancy Reports by renowned Maritime Consulting Groups such as Drewy etc. are also used to assess the industry environment.

Technological environmental analysis is undertaken by looking at the latest equipment, systems and techniques that are used in the port industry. The latest technology in relation to strategic equipment such as gantry cranes and tug boats, port operations IT and security systems is reviewed in detail. Environmental factors such as marine pollution and disposal of waste are also reviewed with regard to the best practices in this field.

Assessment of legal factors in the external environment is done by studying the relevant national, international and regional maritime and other laws and their impact on KPA activities. During this review a need for amendment or enactment of Kenyan maritime laws sometimes becomes apparent. The KPA Act is also reviewed to determine the changes that can rationalize and improve KPA operations.

The internal and external environmental assessment is a very important exercise at KPA as it represents the starting point for strategic planning. Its results impact greatly on the veracity of the strategic plan and the management team knows that interpreting the environment correctly is very important.

Armed with the information gathered out of the internal and external environment assessment the corporate committee sets about to craft the vision and mission statements. This involves finding answers to the questions 'where are we now?', 'where do we want to be?' and 'how can we get there?' Some of the answers will have been provided by the results of the environmental assessment. Once the various answers are digested a variety of vision and mission statements emerge.

The various vision statements are discussed and comprehensively vetted and challenged to make sure they represents the organization's ideal future. The vision statement adopted is also checked to make sure it is achievable and realistic. Once a consensus is arrived at on the vision statement, the corresponding mission statement is then developed. This is done by looking at what needs to be done to achieve the vision of KPA. Again various options are discussed. For KPA the mission statement has been summarized into one broad statement. It is important to note that this exercise has taken place only once so far and is not an annual event.

The strategic plan itself is now put together in line with the vision and mission statements of KPA. The plan is also aligned with key government pronouncements that are relevant to the activities of KPA. Several scenarios are discussed and analyzed until the team involved in developing the plan settles on a particular strategic direction. The strategic plan developed would accommodate both qualitative and quantitative objectives. The quantitative objectives are then converted into financial numbers. The final strategic plan is then presented to the board of directors for approval and adoption.

Once the strategic plan is approved it is communicated downwards to departmental heads and eventually all the employees. A one day workshop is usually organized to brief the employees of KPA about the strategic plan. For ease of implementation the strategic plan is broken down further into a business plan that covers a period of three years. This business plan has clearly defined annual targets.

The corporate committee monitors implementation at the corporate level while the strategy coordination team monitors implementation at the departmental level. Implementation is naturally an on-going activity that takes place throughout the year. These two committees work very hard to ensure the implementation process is as smooth and effective as far as possible.

Monitoring and evaluation is also an on-going process at KPA that takes place throughout the year alongside the implementation process. Again the corporate committee monitors and evaluates the implementation at the corporate level while the strategy coordination team does so at the departmental level. The managing director also takes a keen interest in the monitoring and evaluation exercise to ensure that everything is moving in the desired strategic direction. The strategy committee of the board of directors is also briefed on the outcome of the monitoring and evaluation process. As mentioned earlier this briefing is done through a board paper.

Throughout the strategic planning process the senior management team at KPA never loses sight of the requirements and dictates of the government of Kenya pronouncements and policies. The vision and mission statements and the strategic plan itself must align and comply with these pronouncements. Government policies and pronouncements therefore, sit at the very top of the strategic planning process and guide it all along. They inform and influence the whole process and careful steps are taken ensure the final document produced does not run counter to these pronouncements. Table 4.1 below summarizes the strategic planning process at KPA.

Table 4.1: The Strategic Planning Process

Activity/Step	Outcome
Government policies and pronouncements	These set the overall direction
Internal and external environmental assessment	Reveals internal and external realities
Vision and Mission	Describes where KPA wants to go and its preoccupation
Strategy development and strategic planning	The strategic plan is the outcome
Implementation	The strategic plan is realized
Monitoring and evaluation	Involves monitoring of plan

Source: Research Data

4.4 Key Players in the Strategic Planning Process

There are several key players in the strategic planning process at KPA as described in Table 4.2. The roles of the players are distinct and well defined. However, they play supporting and complementary roles in ensuring the planning process is successful. The cooperation among the players and coordination of their activities in this process is of cardinal importance at KPA. The presence of excellent and effective communication among and between the players is an essential ingredient for a successful and sustainable strategic planning process at KPA.

The board of directors sits at the top of the pile of key players. At KPA the board of directors provides guidance and direction in the strategic planning process. Through the strategy committee, whose members comprise the entire board of directors, it reviews and approves the strategic plan proposed to them. Often the board of directors of KPA constructively engages and challenges the senior managers of KPA to justify and defend the proposed strategic plan. After a comprehensive and thorough review, the board would approve the strategic plan as proposed or with suggested amendments. Only then is the strategic plan ready for implementation.

The managing director of KPA plays a very important role at KPA. He usually wears several corporate hats that he switches and interchanges from time to time. Sometimes he puts on his hat of a member of the board of directors and other times he dons the hat of a senior manager. Often he wears the hat of the chief executive officer of KPA. Whatever the hat he is wearing, the managing director of KPA is principally responsible for the success of the strategic planning process. He provides the drive and is the soul of the strategic planning process.

The managing director provides leadership to the whole process of strategic planning. He leads his team of divisional managers throughout the planning process and provides direction. The managing director plays the central and unifying role in the strategic planning process at KPA. He ensures the proposed strategic plan is sound and defensible before presenting it to the board for approval.

One of the key players in the strategic planning process, is the team of seven divisional managers led by the managing director, which is otherwise known as the executive committee. This team works very closely with the managing director to ensure that the strategic planning process flows smoothly and is executed effectively. The divisional managers are the main contributors of the contents of the strategic plan. They also serve as the conduit through which the strategic plan is communicated downwards.

Among the divisional managers, the corporate services manager plays a unique role in the strategic planning process. He undertakes the principal and important role of coordinating the whole process from beginning to the end. The corporate services manager is essentially the strategic planner. His division collects, collates and documents all the inputs into the strategic plan.

The corporate services manager also handles and organizes all the activities necessary for a successful strategic planning process. Various meetings, workshops and retreats are organized and coordinated by the corporate services division. The corporate services manager is therefore the key person in the strategic planning process at KPA.

Departmental heads, who report to the divisional managers, have a somewhat minor role to play in the strategic planning process. While they are consulted in one way or the other by the divisional managers, their actual involvement in the strategic planning process is minimal. They do however provide the crucial link in the dissemination and communication of the strategic plan to the rest of the KPA organization. The divisional managers also obtain most of the necessary inputs of the strategic plan from and through the departmental managers.

The time spent on strategy development and strategic planning by KPA managers at all levels is not more than 5%. This perhaps is due to the fact that the organization is in transition and there are so many day to day activities to be taken care of at KPA. However, during the various phases of strategy development and strategic planning, the key managers and the managing director dedicate all the necessary time and effort required to get the job done. The corporate services manager however, devotes relatively more time to strategic planning than the other divisional managers.

It is also evident that the divisional managers are continuously appraised and in tune with the industry dynamics through their participation in presentations to the board of directors' normal meetings. Of central importance are the quarterly performance reports, which are three months' collations from all the divisions with some analysis offered by the corporate services division.

Table 4.2: Key Players in Strategic Planning Process

Managing Director	Overall leader of the process
Corporate Services Manager	Coordinator
Human Resources and Administration Manager	Participant
Financial Controller	Participant
Corporation Secretary	Participant
Technical Services Manager	Participant
Reforms Manager	Participant
Harbour Master and Chief Operations Manager	Participant
The Board of Directors	Guide the process

Source: Research Data

4.5 Strategic Planning Committees

There are essentially three strategic planning committees at Kenya Ports Authority. The strategy committee of the board of directors oversees the strategic direction of KPA and approves all strategic plans. It also plays an important role in the evaluation and monitoring of the strategic plan against actual performance. This committee is comprised of all the thirteen members of the board of directors and the seven divisional heads. It is the only occasion when the divisional heads sit throughout the deliberations of a board meeting.

The committee meets twice a year in March and September. On each occasion a board paper is prepared and presented to the committee. Contributions from the managing director and all the divisional heads are incorporated into this paper. The board paper is a status report of all the strategic issues and projects. It appraises the board of the successes or failures experienced in implementing the strategic plan.

It also suggests the way forward in light of what has been achieved so far. The board paper therefore serves as the basis for a critical review of the strategic plan vis a vis what has been realized. The divisional heads led by their managing director get an opportunity to defend their proposals and explain the success or failure in achieving the strategic plan. They are also able to articulate the new positions and the forces that predicate the trajectory that they anticipate. In a sense it gives them an opportunity to revisit their SWOT analysis.

The second committee is the Corporate committee which is headed by the managing director and has all the divisional managers as its members. It is mandated with the task of assessing the achievement of the objectives of the strategic plan. The committee reports its findings to the board of directors. Some of the key roles of this committee include coordination of the plan, resource mobilization and monitoring implementation processes (KPA Business Plan, 2004).

The third committee is Strategy Coordinating Committee. It is populated by representatives from each department under the leadership of the Planning manager. Its main task is to monitor implementation of the strategic plan at the departmental level. Some of the key specific responsibilities of this committee include monitoring implementation at departmental level and development of departmental integration points (KPA Business Plan, 2004).

4.6 The Strategic Planning System

Organizations employ strategic planning systems that suit their particular circumstances. Large organizations tend to have formal and structured strategic planning systems. Kenya Ports Authority employs an indisputably formal strategic planning system. It is highly structured and clear cut. The formality is underlined by the existence of a distinct planning calendar with roles of various players clearly defined.

Workshops and retreats are organized to deliberate on the way forward from a strategic perspective. These workshops are led and inspired by the chief executive officer. All the divisional heads participate in these workshops and the corporate services manager is usually the coordinator. All the deliberations are meticulously recorded and carefully vetted and verified.

Strategic planning at KPA can be said to be highly structured because of the various predetermined committees and teams that play key and well defined roles in the process. The strategic plan generated from the process is approved by the chief executive officer before being presented to the strategic committee of the board of directors. This committee would review the proposals before giving the final approval and the green light to implement the strategic plan.

Not surprisingly the strategic planning system at KPA is also unmistakably top-down. Perhaps this is because the organization is so large and highly ordered and hierarchical. The key players in the strategic planning process are the chief executive officer and the seven divisional heads who report to him. Sometimes the departmental heads who report to the divisional managers are consulted in the strategic planning process. However, all in all it is the topmost level of the organization that is involved in strategy development and strategic planning.

Once the strategic plan has been finalized it is communicated downwards to the lower echelons of KPA. This communication is done through one day workshops to make the other members of staff aware and appreciate the strategic direction of the organization. Thus the strategic plan is crafted and formulated at the top and communicated downwards to the rest of the employees. There is no input in the strategic plan from the lower level employees.

4.7 Planning Documents

The foremost planning document at KPA is the master plan. This document has a very long term horizon covering twenty years. It captures the broad and general long term direction that KPA should follow. The master plan consists of three modules. Module one looks at trade forecast, strategic position of the Port of Mombasa, port organization and public private partnerships (PPP).

Module two discusses port infrastructure, productivity and constraints and proposed port development plans. Finally module three basically envisions the development of a free trade zone (FTZ) by looking at the business concept, demand analysis, facility development and institutional planning (KPA Master Plan, 2003).

The KPA strategic road map is actually the strategic plan. It partly draws its inspiration from the master plan and government pronouncements. The strategic plan covers a period of five years. Although it is reviewed every year, the strategic plan is generally a fixed document during its life time of five years. (KPA Road Map, 2003).

The business plan is the most specific and detailed plan among the planning documents of KPA. It covers a period of three years on rolling basis. In other words, towards the end of each financial year (June) the most current plan year is replaced with another annual plan. The business plan comprises five parts. Organizational and environmental analysis, plan assumptions and targets, strategic framework, implementation framework and monitoring, evaluation and review (KPA Business Plan, 2004).

This plan provides the basis of the annual budgets which are used inter alia to set the targets in the performance contracts of the managing director, divisional and departmental managers. It is a very useful short term planning, implementation evaluation and control tool. All the managers use it as reference point in ensuring everything is working according to plan and moving in the desired direction.

4.8 The Concept of Performance Contracts

Performance contracting involves an agreement between two or more parties to achieve prescribed performance objectives within a given time . This concept was embraced by the current regime in Kenya the moment they came to power in 2003. In the case of KPA an agreement is entered into between the ministry of transport and the board of directors to achieve certain objectives within a given time usually one year.

The board in turn cascades this agreement downwards by signing a performance contract with the managing director. In turn the managing director signs individual performance contracts with each of his divisional managers who in turn sign contracts with their departmental heads.

This concept of performance contracting provided an impetus and a sense of urgency towards the adoption of strategic planning at KPA. The pressure to deliver good results and increased accountability made it all the more important for KPA to formalize and structure the planning process and system. Although KPA had evidently embraced the idea of planning, performance contracts created a more enabling environment for strategic and business planning.

4.9 The Challenges of Strategic Planning at KPA

The strategic planning process at Kenya Ports Authority is beset with several challenges some of which are beyond the control of the management team. One of the principal challenges that KPA faces is government interference. The central government through the minister, permanent secretary and other high ranking government officials sometimes intervenes to alter decisions made by the management of KPA. The so called 'orders from above' can sometimes cripple and blunt the process of strategic planning.

Closely linked to the challenge discussed above are difficulties generated by government pronouncements and policies. Since KPA, like any other public organization, is bound by these pronouncements, it sometimes finds itself between a rock and a hard place. For example the Economic recovery strategy for wealth and employment creation pronouncement is incongruent to the stated goal of KPA to reduce excess staff.

Political considerations also pose another formidable challenge. Often KPA would be forced to follow a path they never chose to accommodate political expediency. Take the example of the bloated labor force that exists at KPA. The strategic plan envisages the reduction of the labor force to a manageable and sustainable level. However, the politics of the day would not allow that given that the government had promised to create 500,000 jobs. Any suggestions of reduction of employees would be rejected out of hand by the government because it constitutes bad politics. Politics also manifests itself in the form of regional considerations. Some decisions may be made not because they make business sense but only to accommodate regional interests.

The frequent change of ministers and permanent secretaries in KPA's parent ministry also poses a tricky challenge. These changes could be occasioned by a change of government or reshuffle of officials in the government in power. So far the ministry of transport, KPA's parent ministry, has had three ministers in less than four years. Each minister has a different approach to the running of the ministry and often this leads to shifts in emphasis, focus and priorities. Obviously such a scenario would affect the strategic planning landscape at KPA.

Reliability of information and the fact that data is scattered often poses a challenge in the strategic planning process at KPA. Since a good strategic plan can only be designed from the knowledge of where you come from and where you are at the moment, reliable information is very crucial. Further, the internal and external environment can only be properly assessed if the integrity of the source data is assured. However, with the recent implementation of the SAP Information Technology system, KPA has the potential to overcome this problem as far as internally generated data is concerned, if it is effectively utilized.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 The Strategic Planning Process

The strategic planning process at Kenya Ports Authority is fairly ordered and structured. All the steps involved in the process are easily discernible and the roles of the key players are clearly defined. The managing director bears the ultimate responsibility for the delivery and implementation of a solid and sound strategic plan. He provides leadership and motivation during the planning process. Although all the divisional managers are intimately involved in the process, the corporate services manager is the coordinator and the driving force behind all the planning activities. Various committees such as the strategy, corporate and strategy coordinating team are mandated with different tasks in the strategic planning process.

The first task of the strategic planning team is to review government pronouncements and policies. This team knows very well that eventually any strategic plan they manage to put together must comply with the wishes of the government. Though government pronouncements are few and far between, they need to be keenly scrutinized to ensure their requirements are understood and complied with in the strategic plan.

To get a bearing of what is happening within and outside the KPA organization, an internal and external environmental assessment is undertaken. This is an extensive and thorough review of both environments. The internal environment is assessed using the time-tested SWOT analysis tool. This analysis allows KPA to determine its strengths and weaknesses and also discover the opportunities and threats facing the organization. The external environment is principally assessed using the PESTEL tool. This involves an incisive review of the political, economic, social, technological, environmental and legal factors in the external environment with regard to both current and the future trends.

Next comes the careful and painstaking process of designing the vision and mission statements. The senior managers critically and objectively attempt to answer the questions 'where are we?' and 'where do we want to be?' and 'how can we get there?' They realistically look at their current strategic position and take into account their apparent strengths and weaknesses. The team then visualizes the ideal, lofty and elevated position that KPA can potentially occupy. They then go about determining what needs to be done to realize that vision. This would in effect constitute the mission statement.

Actual formulation of the strategic plan is initiated by putting together the contributions of the various divisions in terms of their strategic objectives. The corporate services manager collects all the inputs and consolidates them into one corporate plan. All the data is then transformed into financial figures and the final document is presented to the team of divisional managers and the managing director for discussion. The final strategic plan is then agreed by the group after a spirited discussion. The board of directors of KPA eventually reviews and approves the strategic plan.

Implementation of the strategic plan is ushered in by first communicating the document to the rest of the organization beginning with departmental heads. One day workshops are later held to brief the rest of the KPA employees on the contents of the strategic plan. The corporate committee monitors implementation at the corporate level, while the strategy coordinating team monitors implementation at the departmental and operational level.

Monitoring and evaluation takes place throughout the year at the board, corporate and departmental level. Twice yearly the strategy committee of the board of directors is given updates on the implementation of the strategic plan. In the report, achievements are noted, shortcomings are explained and corrective action is suggested. The managing director takes a keen interest on the progress of the strategic plan implementation. The corporate committee and strategy coordinating team monitor and evaluate the strategic plan at the corporate and departmental levels respectively.

5.2 The Strategic Planning System

Kenya Ports Authority employs a very formal system of strategic planning. It is formal because it has a defined calendar and the roles of all participants are clearly laid out. The strategic planning system is also quite structured with a predetermined hierarchy of responsibilities and events usually observed. The planning documents are unique and adhere to an official format. Workshops and retreats are organized to deliberate on strategic planning and only predetermined participants attend.

In common with large organizations, the strategic planning system at Kenya Ports Authority is distinctly top-down. The key players in the strategic planning process are the chief executive officer and the divisional managers. They comprise the topmost officers at KPA. This team develops the strategy and then formulates the strategic plan and finally cascade it downwards for implementation. There is insignificant bottom-up flow of ideas other than the requisite information needed in the strategic plan.

5.3 Conclusions and Recommendations

The research study findings point to the fact that Kenya Ports Authority has in place a coherent, seasoned and sound strategic planning process. The process flows from one logical step to the next. All the key players have their roles clearly defined. The key players exhibit a high sense of commitment and dedication and appear to be highly motivated.

Being a parastatal, Kenya Ports Authority is somewhat constrained in the strategies and policies that it can pursue. While the freedom it enjoys appears to have increased over the years it has yet to achieve the level of independence necessary to chart its course in line with industry requirements. Government pronouncements and parent ministry control are always hovering nearby ready to intervene in their affairs.

The strategic planning process is acutely formalized and inherently structured. It is highly ordered and all the steps are somewhat predetermined and properly sequenced. The roles of the key players in the strategic planning process are clearly spelt out. There is an apparently well oiled coordination mechanism during the strategic planning process. Effective communication takes place between and amongst the relevant parties throughout the strategic planning process.

The study revealed that the strategic planning system at Kenya Ports Authority is unmistakably top-down. Only the top senior managers are involved in the deliberations of the strategic planning process. Insignificant contributions emanate from the lower echelons of KPA. There is very little bottom-up flow of ideas into the strategic planning process.

It was observed that faced with many challenges such as stiff competition from other ports in the region, complex stakeholder demands, need for modernization of facilities etc, strategic planning appears to have served KPA very well. There is an apparent improvement of overall performance at KPA since the introduction of strategic planning. Accountability and transparency has also been seemingly enhanced due to strategic planning.

Kenya Ports Authority would be served well if strategic planning becomes more of a process and less of an event. Allocating more time to strategic issues and strategic thinking would help increase the success that KPA has so far realized. It would also be beneficial for KPA to gradually move their strategic planning system towards a bottom-up model. It has been demonstrated that encouragement of flow of ideas from the bottom towards the top can potential yield good results in terms of motivation and ownership of the strategic plan.

5.4 Limitations of the Study

The study was constrained by the limited amount of time and resources available to the researcher. All the respondents are also very busy people and could only allocate limited time to the interviews. Perhaps the depth and breadth of the study could have been better enhanced had more time been available. Because of the case study methodology adopted, the findings arising from this research project are case specific and may not be generalized and applied to other organizations. Case studies are also said to be subjective in nature.

5.5 Suggestions for further research

It would be interesting to study the impact of strategic planning on the performance of public corporations. A study could also be undertaken to determine the influence of performance contracts on strategic planning and the relationship between the same.

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APPENDICES

APPENDIX ONE: INTRODUCTION LETTER

Dear Respondent

RE: MBA Research Project

I am pursuing the postgraduate degree of Masters of Business Administration (MBA) at the School of Business, University of Nairobi.

My research project titled 'Strategic Planning at Kenya Ports Authority' has the objective of comprehensively documenting and analyzing the strategic planning processes and systems at KPA.

I would like to assure you that the information generated from this interview and any documents availed to me would be handled confidentially. This information will be used for academic purposes only.

Thank you in advance for your cooperation.

Yours faithfully

Abdulaziz Ali Khamis
MBA Student

APPENDIX TWO: INTERVIEW GUIDE

SECTION A

RESPONDENT'S PROFILE

Name: ....

Position Held: ....

Division: ....

How long have you worked for KPA?...

SECTION B

STRATEGIC PLANNING

1. Describe the strategic planning process at KPA?
2. What is the strategic planning system employed?
3. What is the strategic planning horizon?
4. How is the data for the strategic plan collected?

SECTION C

PEOPLE INVOLVED

1. Who is involved in the strategic planning process?

SECTION D

OBJECTIVE SETTING

1. What is the vision and mission of KPA?
2. What are the objectives of KPA?

SECTION D

EXTERNAL ENVIRONMENT

1. Is the external environment factored in the strategic plans?

SECTION E

CHALLENGES

1. What are the challenges to strategic planning at KPA?

SECTION F

EVALUATION

1. Is the strategic plan evaluated against actual performance?