

DECLARATION

**The Process Of Strategy Development In  
Kenya Bus Services Limited**

Date

By  
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NOVEMBER 2004

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This project has been submitted for examination with my approval as the University

**A Management Research Project submitted in partial fulfilment of the  
Requirements for the award of Master of Business Administration  
degree, Faculty of Commerce, University of Nairobi.**

Date

14/1/05

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**November 2004**

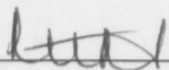
## DECLARATION

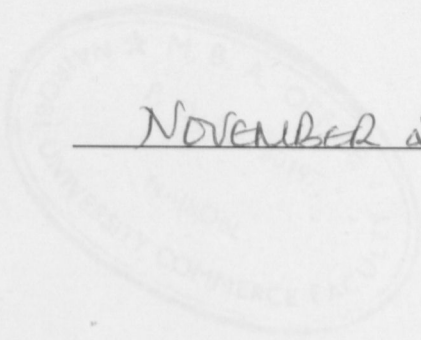
This project is my original work and has not been presented for a degree in any other University.

To my best friend, S. G. Wanyolke

Signed

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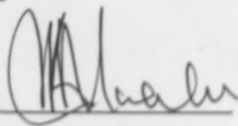
  
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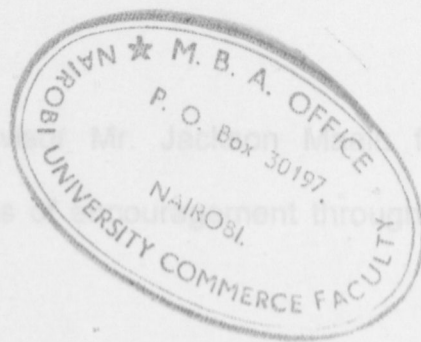
## ACKNOWLEDGEMENT

### DEDICATION

The accomplishment of this study has been achieved without the contributions of the following. To my best friend, S. G. Wanyoike I acknowledge and express my sincere gratitude.

First I am grateful to the almighty God who has always been the source of my strength throughout my life.

My special thanks goes to my Supervisor, Mr. James M. for his patience, continuous guidance and advise, and his support throughout the period of this research project.



I am gratefully indebted to Mr. Jean Lemazurier for his encouragement and financial support during the study.

Thanks to Mr. Edwin, M. Mwakabana the CEO Kenya Bus Services and his staff for allowing access to the company's information, through interviews and completion of questionnaire.

I would also wish to express my sincere appreciation, to my colleagues at work (especially, Agneta Mxale and Charles Gitau), my friends, my MBA colleagues for their

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## ABSTRACT

help, encouragement and suggestion to the study, which were very helpful.

It has been observed that though several approaches to strategy development process in organisations have been advocated by various authors and scholars, individually the approaches only offer partial explanation about strategy process. The ways that managers approach their strategy development in organisations differ, and is determined both by the environmental and company factors.

This study set out to establish what approach(es) that Kenya Bus Service Limited used to formulate their current strategies that are in the implementation stage. The study was also to establish what factors that have influenced the Kenya Bus Service strategy development process.

In carrying out the study, data was collected through the administration of a questionnaire and an in-depth interview with the CEO and all the managers of the company.

From the research findings, it is clear that there exists a process of strategy development in the company, which is highly formalised. The strategy formulation process is a logical, deliberate and proactive. This is due to the fact that the strategic decisions made by managers are outcomes of deliberate planning efforts and rational analysis of the company undertaken by the managers. The strategic decisions made by

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the managers are then communicated to the rest of the staff in the company. The findings also established that the formal process of strategy development that prevails at Kenya Bus Services Ltd., has been influenced by contextual factors:- the environment which is turbulent and uncertain, the ownership of the company which is indigenous Kenyans, the leadership style which is participative and the type of organisational structure which is a formal structure.

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## CHAPTER 1: INTRODUCTION

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## CHAPTER 1: INTRODUCTION

### 1.1 Background

Ansoff and McDonnell (1990) observes that strategy though a potentially very powerful tool for coping with the conditions of change which surround the firm today as it offers significant help for coping with turbulence confronted by business firms, it is also complex, costly to introduce and costly to use. Nevertheless, there is evidence that it more than pays for itself.

The complexity of strategy begins with lack of consensus on the precise definition of strategy, Chandler (1962) defines it as the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals while Mintezberg (1991) proposes five formal definitions of strategy not in isolation but interrelated, as plan, ploy, pattern, position and perspective. Andrews (1987) asserts that strategy is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals and defines the range of business the company is to pursue, the kind of economic and human organisation it is or intends to be and the nature of economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities. Johnson and Scholes (1999, pp.10) gives a working definition of strategy as 'the direction and scope of an organisation over the long term, which achieves advantage for the organisation

through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholders expectations'.

Lack of a precise definition of strategy can be attributed to the fact that strategy is a multidimensional concept in terms of content and substances, which embraces all 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, (Hax and Majluf 1996). Nevertheless most authors in their definition emphasise 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 individual or organisation. That strategy is about winning, thereby guiding organisations to superior performance through establishing competitive advantage and that strategy acts as a vehicle for communication and co-ordination within organisations.

Strategy is the heart of Strategic Management for it helps the organisations to formulate implement and evaluate strategies in an attempt to prosper. The organisation's management are not only concerned with the internal activities of the firm (operational activities), but they also have to deal effectively with everything that affects the growth and profitability of a firm, by employing management process that they feel will position the organisation optimally in its competitive environment by maximising the anticipation of environmental changes and of unexpected internal and competitive demands. Thus as Ansoff and McDonnell (1990) observes, Strategic Management activity is concerned with establishing objectives and goals for the organisation and with maintaining a set of

relationships between the organisation and the environment which will enable it to pursue its objectives, are consistent with the organisational capabilities and continue to be responsive to environmental demands. Aosa (1988) in his definition of Strategic Management share the same sentiments as Ansoff and McDonnell (1990) as he sees it as strategic decisions that seek to rectify mismatch between the internal capability of an organisation and its external conditions by matching organisations core capabilities with the external environment so as to exploit opportunities existing in the external environment and to minimise the impact of threats from the external environment on the organisations.

consistently in accordance with the overall strategic objectives of the firm, its management style, and its organisational culture. Moreover, the strategy formation

The main aspects of Strategic Management are therefore the formulation, implementation and evaluation of strategy. However, though the aspects or elements of strategic management are clear and specific there has not been a clear or precise way that has been advocated by authors on how organisations make important decisions and link them together to form strategies. Several approaches to strategy process have been advocated by two different schools of thoughts. On the one hand is the design school of thought versus the process school of thought. The design school of thought proposes a rational-logical view that strategy process is a logical one where strategy is formulated through rational analysis of the organisation and then communicated hence it is deliberate, explicit and planned. The process school of thought however tends to downplay the role of systematic analysis in the strategy process while advocating and emphasising on intuition and experience. Managerial judgement, intuition and skill are of great importance in making the eventual strategy decisions and rational analysis is not a

substitute for such Managerial skills, but as Aosa (1992) observes the outcomes of the analysis are not decisions, rather they form the basis upon which Managers can make sound and viable strategic decisions.

Both approaches individually therefore offer only partial explanations about strategy process. There is no one effective way of strategy process as different ways exist to reach the ideals embedded in the concept of strategy. Therefore the important requirement of the process as Hax and Majluf (1996) observes is that it should be managed consistently in accordance with the overall strategic objectives of the firm, its management style, and its organisational culture. Moreover, the strategy formation process should be integrated with other administrative processes of the firm, particularly management control, information and reward systems, and the organisational structure. Careful integration among managerial process, structure and culture is what leads to effective strategic management.

The ways that managers approach their strategy development in organisations differ. This is because the management approach that prevails in an organisation is determined by various contextual factors. Aosa (1992) identifies these contextual factors to include the company's history and experience, its size, ownership, the industry in which it operates and the business situation it is presently in, resources and dependence. This therefore indicates that the management approach to strategy development is largely influenced by both the environmental and the company factors.

It is therefore in the above light that this paper seeks to establish what approaches Kenya Bus limited used to formulate their current strategies that are in implementation stage. Kenya Bus service has been described by Ondigo (2002) as being the Kenya's largest formal passenger transporter, which has not only enjoyed statutory monopoly in the transport industry (having exclusive access to central business district), but also has had a history of good performance over the years. The paper will deal with only the aspect of strategy formulation, which will include related activities such as, strategic analyses, strategic evaluation and choice.

## **1.2 Kenya Bus Services Limited**

Kenya Bus Services Ltd is Kenya's largest formal passenger transporter. It was established in February 1934 when overseas motor transport industry of London started bus services using 13 buses on 12 routes. The Nairobi City then had a population of about 50,000 people and was developing fast after the construction of the Uganda railway. It is from this humble beginning that 69 years on today, Kenya Bus Limited has become part and parcel of a vivid growing nation and its households. The Kenya Bus deep-rooted history has come a sturdy culture of service, based on experience not held by any other operator in the nation today, (Ondigo 2002).

The ownership of Kenya Bus Service Ltd has changed hands through the 69 years of existence with foreign investors having the majority shares. In 1964 after Kenya attained Independence, United Transport International took over the

management of Kenya Bus Services. In 1966, however the Nairobi City Council acquired 25 % of shares in the company. The Stagecoach Holdings Ltd bought United Transport's share holdings in Kenya bus service in 1991, (Ondigo 2002). A local consortium of investors acquired 95% of Stagecoach group's share holdings of Kenya Bus Services Ltd, when the later made a decision to close down its operations, (Ondigo 2002).

In the intercity division, the new management did not only increase the number of buses Kenya Bus Services has not only changed hands through the 69 years of existence but has also grown in experience and challenge with each new phase as provided by the growing city of Nairobi and other major towns. The good performance that is associated with Kenya Bus Service, can be traced with the size, the technology and the services offered. The success of the company could partly be contributed to the statutory monopoly that the company enjoyed. Kenya Bus Service had right to exclusive access to the central business district. The performance however declined due to increasing competition, and road transport sector having been liberalised and lack of a policy or structure in place to manage the subsequent chaos that ensued. By the time stagecoach, decided to close down, it was reported to having been making spectacular loses and termed the investment as "failed investment", (Ondigo 2002).

means to use to accomplish those objectives

Since the take over in 1998, the local consortium of investors has adopted a radically different style of operations from their predecessors. Some of the notable different styles of operations that have been adopted are:

can form implicitly as well as be

In the Intracity divisions, the new management took the unprecedented step of leasing out buses to bus track, leading to the running of business like matatus (so as to compete evenly with matatus), breaking from its known culture of being formal.

There was introduction of Metro Shuttle (Mini-buses) which are meant to beat matatus through more disciplined services. This is a city service that targets the top end of the market who has to pay a premium for a comfortable ride.

In the intercity division, the new management did not only increase the number of buses but also opened up more routes.

Introduction of Msafiri bus plying Nairobi-Mombasa, which offers a comfortable and luxurious ride,(Ondigo 2002).

The above strategies are in the implementation stage but indications shows that the company has made a turn around, from a loss making to a profit making.

### **1.3 Statement Of The Problem**

Strategy formulation acts as a guide to the managers of organisations in defining the nature of business their organisations are in, the objectives that they seek and the means to use to accomplish those objectives.

How strategies are developed however, has not been agreed upon, as different authors and academics have advanced that strategies can form implicitly as well as be



formulated explicitly, ( Mintzberg 1991, Hax and Majluf 1996, Johnson and Scholes 1993, Porter 1980, Ansoff 1984).

The different views though they contribute to our understanding of strategy making process, in isolation they do not explain the process. The views should however compliment each other. This is because successful strategic management today hinges upon effective integration of intuition and analysis. Although some organisations today may survive and prosper because they have intuitive geniuses managing them, most are not so fortunate. Even those that are fortunate, not all time the intuitive are correct in their judgement.

Most organisations can only benefit from strategic management which is based upon integrating intuition and analysis in decision making. Choosing an intuitive or analytical approach to decision making should therefore not be a proposition. This is because managers at all levels in an organisation should inject their intuition and judgement into strategic management analysis. Hence analytical thinking and intuitive thinking should be seen to compliment each other and not in isolation.

(ii) Establish the various factors that have influenced the Kenya Bus Services  
Kenya Bus Services Ltd., is not only a risky but also a heavy investment. The company which for a long time was run by foreign investors, was taken over by a group of local consortium and a relatively young management, who have a deeper understanding of the Kenya's business environment and obviously the transport industry than the previous expatriate (Stage Coach). The local consortium took over the company during

a period when the public passenger transport industry was experiencing significant environment changes. Liberalisation of markets, global economic recession, Government regulations, corruption among regulators, such as the police, Kenya Revenue Authority and high competition with next to zero barriers to entry in the industry. These changes naturally have created pressure for change in the way companies in the public passenger transport industry are managed. Hence the radical and drastic changes undertaken by the Kenya Bus Service New management.

The purpose of this research therefore is to examine the process of strategy development by the Kenya Bus Services Limited management between the period 1998 –to-date.

## **1.4 Objectives Of The Study**

The study will seek to establish the following issues:-

- (i) Establish the approach(s) that Kenya Bus Services has used in their strategy development.
- (ii) Establish the various factors that have influenced the Kenya Bus Services strategy development process.

## 1.5 Significance Of The Study

The findings of the study will:-

- (I) Provoke more scholars to carry out further research in the area of strategy formulation in Kenya both in the private and public sectors.
- (II) From the recommendations, other management of organisations would know what approaches are most appropriate to strategy formulation in Kenya.
- (III) Assist the stakeholders of KBS Ltd. to know if the management are making decisions that are abound to add value to the organisation.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Public Road Transport Sector In Kenya

The public road transport in Kenya include buses, minibuses, 'matatus' and taxis. The public mode of transport plays a very important role in Kenya. A large number of Kenyans do not own private means of transport and hence depend on public transportation. This has therefore made the public transport business very attractive.

The public service transport industry has experienced significant changes over the years. Mokaya (2003) noted that the period between 1964 and 1973, most companies operating in the industry were monopolies. This is because there was low competition and the only necessary marketing tools were price and product availability. The environment then was stable and most of the future variables for conducting business were fairly certain. However when the environment started changing, the companies had to also change their operations and management in order to adapt to the new external realities.

Some of these changes include advanced technology that enabled manufactures to come up with state of the art of public service vehicles like buses and minibuses. Other changes being increase of new entrants into the industry leading to rise in competition. High competition by amongst others matatus, bus companies, transport such as railways characterised the industry. Changes in the social-cultural trends such as education has

forced operators in the industry to be more sensitive and responsive, as passengers are now demanding value for their money.

The history and development of documented strategic thinking can be traced in the Langat (1996) argues that due to the environmental rapid changes especially increased competition in the public road transport, most operators have gone under, while others are desperately trying to survive in very difficult operational conditions. Companies like Overseas Trading Company (OTC), Kenya National Transport Company (KENATCO), and Nyayo Bus Service are no longer in business. However the failure of these bus companies does not mean that there are no business opportunities in this industry. There are plenty of untapped opportunities lying latent. Current indications shows that the industry is now creating huge investment opportunities even for those who had shunned the hitherto chaotic sector. This is due to the fact that the industry is facing a biting shortage of public service vehicles following strict enforcement of safety regulations beginning in February this year. Operators in the industry should therefore formulate befitting strategies that would ensure exploitation of these opportunities.

The major threat to the public service transport industry, are the dilapidated state of roads, entry by new competitors and escalating operating costs. In this case, therefore formulation of appropriate strategies by the operators in the industry is absolutely necessary, (Mwaura, 2002).

## 2.2 Strategy

The history and development of documented strategic thinking can be traced in the 1950's in the U.S.A., when accelerating and cumulating events began to change the boundaries, the structure and the dynamics of the business environment. Drucker (1954) called this era, an 'age of discontinuity' where firms were increasingly confronted with novel and unexpected challenges which were so far reaching, he addressed the issue of strategy and strategy formulation as an approach to managing organisations. His concern was primarily with identifying the business of an organisation.

The approach of Drucker was further expounded by Chandler (1962), Ansoff (1965) and Andrews (1971). Chandler (1962) outlines the process by which strategy could be formulated and achieved and also observes that organisation structure follows strategy. His definition of strategy stresses the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out the intended goals.

Ansoff (1965) views strategy as the common thread in an organisation business. He also defines strategy as the product/market scope of an organisation. Thus in an organisation, any strategic change should only involve product or market focus. Andrew (1971) asserts that strategy is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals that define the range of business the company is to pursue the

kind of economic and non-economic contribution it intends to make to its shareholders and employees and communities.

It is worth noting that during this period strategic planning was increasingly adopted and those early writers were therefore handy. However, as the competition intensified as a result of internationalisation of business, resources became scarce and technological innovations accelerated the approach to strategy by writers also changed. This is as seen in Mintzberg (1985) definition to strategy as a pattern in a stream of decisions and actions that may be deliberate at times, emergent at other times, mixed and mostly based on management intuitions and creativity. He concludes that though formal strategic planning only gave rise to deliberate strategies, realised strategy is the outcome of both deliberate and emergent strategy. Peters (1987) observes that strategic planning needs to be re-discovered, whereby due to acceleration of change in the environment, strategic thinking should be flexible and adaptable, hence be timely in responding to the surprises which could not be anticipated in advance. He argues that a good strategic planning process should be open to debate which emphasis should be proactivity, imaginative and risk taking.

Strategy therefore cannot be static, as Thompson and Strickland (1993) states that the task of strategizing is always an ongoing exercise, partly in response to an ever-changing external environment, partly from managers efforts to create new opportunities and partly from fresh ideas about how to make the strategy work better. They continue to state that, everything cannot be planned out in advance and even the best-laid plans

must be responsive to changing conditions and unforeseen events. Strategy making thus proceeds on two fronts, one proactively thought in advance, the other conceived in response to new developments, special opportunities and experiences with the successes and failures of prior strategic moves approaches and actions. continuously adapt to the demands as presented by the changing environment

Hax and Majluf (1996) and Johnson and Scholes (1999) summaries the nature and characteristics in contemporary strategic thinking as:-

As a means to determine and establish the organisation's purpose in terms of its long term objectives, action plans and resource allocation priorities. That is, strategy should not only shape the long-term objectives of the organisation but also define the major action programs needed to achieve those objectives as it deploys the necessary resources. (Johnson and scholes 1999)

As a concern with the scope of an organisations activities. Strategy should therefore be seen to define what business an organisation is in or intends to be in. Hence strategy should address issues of growth, diversification and divestments. This leads to business analysis, strategic positioning, resource allocation and portfolio management. However, scope of an organisation is not limited to only product and service but also include customers and competitors. (Johnson and scholes 1999)

As making decisions that are aimed at achieving long-term sustainable advantage for the organisation over the competitors. Strategic thinking should therefore focus on opportunities and threats that have to be reckoned with externally while internally assess the organisations strengths and weaknesses that have to be further developed and corrected.



Strategy formulation is one of the elements of strategic management, which is the Strategy thinking should be seen to match the activities of an organisation environment in which it operates. Strategy is needed to obtain a viable match between the external environment and the internal capabilities of a firm to necessitate it to continuously adapt to the demands as presented by the changing environment.

From the nature and characteristics of strategy therefore, strategists exist at a number of levels in an organisation. Corporate level strategy is concerned with an organisations overall purpose and scope, while business unit strategy is concerned with how to compete successfully in a market and lastly the operational or functional. Strategy is concerned with how resources, process and people can effectively deliver corporate and business level strategies, (Johnson and scholes 1999).

### 2.2.1 Strategy Development In Organisation

Companies have been created in order to serve the needs of the societies in which they operate. Therefore management which is the process by which such companies are run in order to achieve their goals is a very important activity. Strategic management is an improved approach to management which involves planning, directing, organising and controlling of a company's strategy-related decisions and actions, (Thompson and Strickland, 1993).

Strategy formulation is one of the elements of strategic management, which is the development of effective strategic moves and approaches in an organisation in response to the ever-changing environment.

The manner in which organisations manage this process will vary. Some will be highly organised and rational in their approach, while others will manage the process rather more intuitively. But perhaps the most important aspect that will vary in the process will be the degree of explicitness and the timing of the strategy, which will in turn determine the approach.

One of the greatest controversy surrounding strategy making process centres on how explicitly strategy should be communicated both internally within the organisation and externally to relevant constituencies. 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.

High degree of explicitness will allow for managers at all levels to participate in the process unlike in an implicit strategy where the process will only involve one person (C.E.O) who then issue instructions to lower management on what is to be done.

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 action plans oriented at shaping the future direction of an organisation. Strategy therefore precedes the events it governs, (Hax and Majluf 1996, Andrew 1971). In this case therefore the process could be viewed as a formalised one since it is pro-active as there is deliberate effort to planning of strategy ahead of events.

First, it is necessary for the organisation to set up its boundaries within which to operate.

On the other hand, strategy is seen as a pattern of actions emerging from the past actions of the firm. Here, strategy is deciphered as consistency in behaviour, observed in the past actions of the organisation. Therefore, strategy emerges from as opposed to preceding the activities it governs. Mintzberg (1987) is a leading proponent of this view. He says that strategy should be considered as deliberate when its realisation matches the intended course of actions and emergent when the strategy is identified from the patterns of consistencies observed in past behaviour despite or in the absence of intention, (Hax and Majluf, 1996).

Secondly, it is necessary for the organisation to have a clear vision of its future.

From Mintzberg (1987) view, strategy development process can be seen as a continuum with deliberate strategy at one end and emergent strategy at the other. Between these two extremes are strategies that combine varying degrees of different dimensions like, openness, participation, negotiation being proactive or reactive. Therefore, strategy is formed by two (2) critical forces acting simultaneously, one deliberate the other emergent. As Hax and Majluf (1996) observes that managers need deliberate strategies to provide organisations with a sense of purposeful direction. They also need emergent strategies, which implies learning what works taking one action at a time in search of a

competitors, for the essence of strategy formulation is coping with competition. Hence

viable pattern. Therefore, emergent strategy implies that management is open, flexible, responsive and willing to learn. (Johnson and Scholes, 1999).

Where deliberate efforts are made to formulate strategy, certain activities need to be undertaken by the company. These activities are as follows. the organisation to do an

First, it is necessary for the organisation to set up its boundaries within which to operate.

Secondly, there is need for organisation to have a clear analysis of the strategic situations facing them and a rational assessment of the future options available to them.

The analysis is thus necessary for organisations to have an understanding of the environment in which they operate. Models like Pest analyses are advocated for analysing the external environment which involves identifying the political, economic, social and technological influences on an organisation, (Johnson and Scholes 1999).

The aim of the analysis is to develop an understanding of opportunities which can be built upon and threats which have to be overcome or circumvented, (Johnson and Scholes, 1999). and organise qualitative and quantitative information in a way that

allows effective decisions to be made under conditions of uncertainty. The information

Thirdly the analyses would help organisation to understand the nature of the industry they operate in. That is to know the industry's overall situation, identify the industry's opportunities and threats, draw conclusions about whether the industry is an attractive one or not and above all formulate strategies that matches the industry's conditions, (Thompson and Strickland, 1993). ational Environment

Fourthly the analyses would assist organisations to know and understand its competitors, for the essence of strategy formulation is coping with competition. Hence

managers have to address questions like which firms are our competitors and what are the major determinants of competition, (Johnson and Scholes, 1999).

Finally for the analyses to be complete, it is necessary for the organisation to do an internal analysis. This is an internal audit of the organisation's resources. The assessment helps in identification of the organisation's strengths and weaknesses. The aim of this analysis being to identify the extent to which current strategy of an organisation and its strengths and weaknesses are relevant to and capable of dealing with the changes taking place in the business environment, (Thompson and Strickland, 1999, Pierce and Robinson, 1991).

Though strategic management process should not be described as solely a logical, and systematic approach for making major decisions in an organisations, the above activities attempts to obtain and organise qualitative and quantitative information in a way that allows effective decisions to be made under conditions of uncertainty. The information obtained form the basis upon which managers can make decisions. However managerial judgement, intuition and skill are of great importance in making the eventual strategy decisions, (Aosa, 1992).

### **2.3 Overview Of Organisational Environment**

Organisations are social entities that are goal directed, deliberately structured activities system with identifiable boundaries (Bendian 1980). Ansoff and Macdonnell (1990), see

organisations as environment serving since they are in constant two-way interaction with the environment. They take in an assortment of resources from the environment and value them, and deliver them back to the environment in the form of goods and/or services. Thus organisations are open system which must interact with the environment to survive, for they consume resources from the environment which they transform into outputs and they export back to the same environment. As Pierce and Robinson (1997) notes, organisations depend on their external environment for their input and for the discharge of the output.

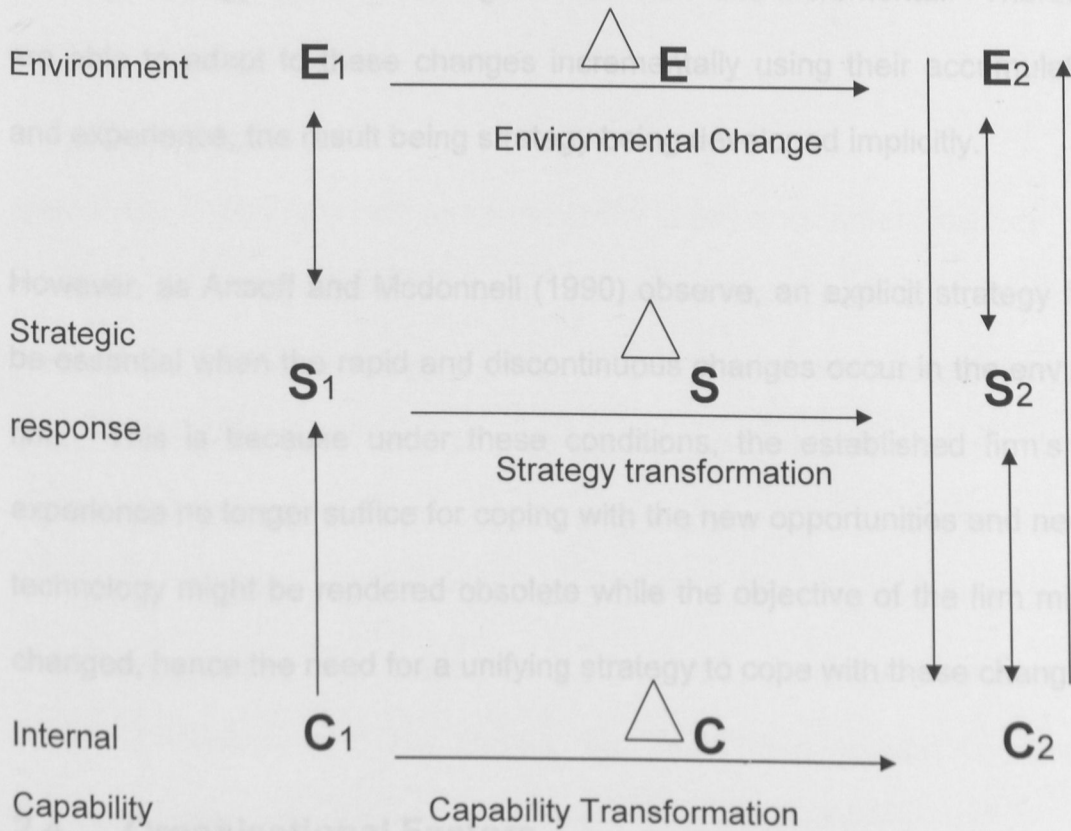
Organisations cannot be separated from their environment for they are open systems, that is, they are environment dependent. Organisations consume resources from the environment as inputs transform them through, throughput process and release them as outputs to the same environment. Therefore, organisations are environment dependent and no organisations can exist without the environment. They depend on the environment for their survival and have to constantly scan the environment in an effort to stop budding trends and conditions that could eventually affect the organisations and adapt to them. Failure to do this will lead to serious strategic problems characterised by the maladjustment of the organisations output and the demand of the external environment, (Thompson and Strickland, 1993). Pierce and Robinson (1997) observe that for organisations to achieve their goals and objectives, they have to constantly adjust to their environment. They continue to note that modern executives while managing internal activities of the organisation must also respond to the challenges

posed by the organisation immediate and remote external environment, (Pierce and Robinson, 1991).

The nature of external environment is such that it is complex, turbulent and uncertain, hence determines the extent to which organisations face uncertainty. Ansoff (1987) notes that the environment is constantly changing and so it makes it imperative for organisations to continuously adapt their activities in order to succeed. In order to survive in this very dynamic environment, organisations need strategies to focus on their customers and to deal with the emerging environmental challenges. As Ansoff and McDonnell (1990) observes that the environmental dependence phenomenon postulators that whenever environment changes occur, they create pressure for change in an organisation strategy as well as the internal capability. The organisation needs to make this adjustment if it has to survive. Thus where the external environment has changed, one would expect changes in strategies inline with the internal capabilities of the organisations. They noted that strategic responses involve changes in the firm's strategic behaviour to assure success in the transforming future environment. They illustrate this as follows:-

The diagram shows that as the environment changes, so will the strategy and capabilities, to match the changed environment and naturally the capabilities of organisation will also change to fit the strategy.

Therefore since the process of strategic management takes place in this same environment, it would be worth noting that the environment greatly influence this process in organisation especially the approaches undertaken in strategy formulation. For example if a firm is operating in a fairly stable environment, where the competition is



**Figure 1.** Relationship among the environment, strategy and company capability

(Ansoff and Macdonnell 1990, pg.40).

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Therefore since the process of strategic management takes place in this same environment, it would be worth noting that the environment greatly influence this process in organisation especially the approaches undertaken in strategy formulation. For example if a firm is operating in a fairly stable environment, where the competition is



stable, the technological change is slow and customers demand change is also slow, then the strategy needs to change is also slow and incremental. Therefore managers are able to adapt to these changes incrementally using their accumulated knowledge and experience, the result being strategy being developed implicitly.

Leadership is generally defined as the ability to influence others towards

However, as Ansoff and McDonnell (1990) observe, an explicit strategy formulation will be essential when the rapid and discontinuous changes occur in the environment of the firm. This is because under these conditions, the established firm's traditions and experience no longer suffice for coping with the new opportunities and new threats. The technology might be rendered obsolete while the objective of the firm might need to be changed, hence the need for a unifying strategy to cope with these changes.

same as management. He argues that while management is about coping with

## 2.4 Organizational Factors

### 2.4.1 Introduction

It has been suggested that apart from environmental factors, the organisational factors also affect and greatly influence strategic management practices. Aosa (1992) pointed out that environmental and company factors have an impact on managerial processes. He observed that external environment factors are not the only ones influencing managerial processes, arguing that "Management practices could vary even where environmental profiles were similar" (Aosa 1992 pp 88). In such cases other forces in the organisation's context account for the differences. These observations imply that we find variations in management practices within one country brought about by differences

in company characteristics like, organisation's leadership, ownership, structure and culture.

#### 2.4.2 Leadership

Leadership is generally defined as the ability to influence others towards achievement of organisational goals and objectives. Leadership can be viewed as a process or a property, (Jago 1982). The process of leadership is the use of non-coerces influence to direct and co-ordinate the activities of the members of an organisation towards the achievement of group objectives. As a property, leadership is the set of qualities or characteristics attributed to those who are perceived to successfully employ such influences. Kotter (1990) emphasise 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.

Pierce and Robinson (1997) states that strategy formulation guides executives in defining the business their firm is in, the end it seeks, and the means it will use to accomplish the end. Hence the core job of a leader is to create a mission, stipulating the business of the firm and a vision, a concept of what the firm should be. The leader should communicate both the mission and vision to the followers while developing or at least help develop strategy for achieving the vision. An organisation's Chief Executive Officer (C.E.O) is the most visible and important strategy-manager. The CEO bears the full responsibility for leading the tasks of formulating and implementing the strategic plans of the organisation as a whole irrespective of the fact that others have a hand in

the process. Thompson and Strickland (1993) observe, the CEO functions as Chief – direction setter, Chief objective setter and Chief strategy maker and implementers for the organisation.

Leaders have two fundamentally different ways that they can carry out their functions. First they can either choose to use the intuitive anticipatory approaches which is based upon the past experience, the gut feeling, their judgement and their own reflective thinking.

In contrast, as Steiner (1979) observes, they can use a formal organised approach based on set of procedures, and is explicitly stated and involves participation of many people.

However the approach chosen by leaders will depend on the leadership style a leader is identified with, for example:-

- (a) Authoritarian Style: In this kind of style, a leader will develop the strategy himself and will only instruct the followers on how he wants things done without asking for advise.
- (b) Participative (democratic). Here a leader will involve the others in on decision making though he still maintains the final decision, he plays a co-ordinating role.

A good leader would however use the two styles depending on the followers and situation and hence avoid a clash between the two difficult approaches to strategic decision making.

### 2.4.3 Ownership

The ownership of companies operating in Kenya can be described as owned by Foreigners, Government of Kenya, Asians or indigenous Kenyans. As such therefore, the management of these organisations will vary depending on the predominant ownership.

Where the ownership is foreign the management approach is one which is professional. In this approach, though there is dependence on parent companies outside Kenya, managers at all levels in the company know and understand the company processes and how they fit in. Decisions are made deliberately and consistently. There is general understanding regarding the direction to which the company is moving. Managers still make quick (ad hoc) decisions as situations arise for there is in-built flexibility in this approach. But there is overall co-ordination of effort and action. The companies owned by indigenous Kenyans also have a similar approach to foreign owned companies, in that they are professionally managed.

Government owned organisations are politically managed, where positions are held by individuals on the basis of political affiliations and loyalties. This approach lacks principle and objectivity and as (Aosa 1992) observes, promotes internal fighting in the company which is detrimental to the growth of the company.

The Asian owned companies are least committed to formal strategy as they are mostly patrimonial managed. Company ownership and major decisions making positions are in the hands of family members or founders i.e. family ownership and control, (Aosa 1992).

This approach is characterised by lack of design, in that there are no clearly set guidelines to follow. Decisions tend to be made independent of each other and with little regard to objectives. This is because the organisation drifts along with business circumstances and the decisions that are made are short term as they operate with short horizons. To some extent, actions here are guided by experience, precedent (doing what has always been done) or doing what the boss may want (which in itself may not be clear), (Aosa, 1992).

#### **2.4.4 Organisation's Structure**

Perhaps the most important resource of an organisation is its people, so how they are organised is crucial to the effectiveness of strategy. Stoner and Freeman (1989) notes that successful implementation of strategy depends on the structure of the organisation. Not surprisingly, therefore, the chances that an organisation's strategy will succeed are far greater when its structure matches its strategy. By the same token, Chandler (1962) states that strategy, drives structure while structure drives strategy.

Organisational structure has been defined by Stoner and Freeman (1989 pp 264) "as the arrangement and interrelationship of the component parts and positions of a company". Thus it specifies the organisations division of work activities and shows how different functions are linked. It also indicates the organisation's hierarchy and authority structure.

There are two different types of organisational structure, the formal and non-formal organisational structures. An organisation can be formally structured by function, by product/market or in matrix form. The approaches taken in strategy making are commensurate with the different types of organisational structure. For example, whereas in the formal structures, the authority is centralised and are bureaucratic in nature, the informal organisations structures are the undocumented relationships among members of an organisation and often there is devolution of power, which leads to decisions being made rapidly with little or no planning at all.

#### **2.4.5 Organisation's Culture**

Johnson and Scholes (1999 pp 58) has defined organisational culture as "the deeper level of basic assumptions and beliefs that are shared by members of an organisation that operate unconsciously and define in a basic taken-for-granted fashion an organisation's view of itself and its environment". Organisational culture therefore includes shared values, beliefs, attitudes and norms that shape the behaviour and expectations of each member of the organisation.

Culture, though less explicit, than rules and procedures, may be an even more powerful influence on the way managers approach the managerial problems. Every organisation is a unique culture. It has its own special history of how the organisation has been managed, its own set of ways of approaching problems and conducting activities. It also has its own experiences of how changes have been instructed. Thus strategy so formulated should be aligned with the organisation's culture. It is the

strategy makers' responsibility to choose a strategy that is compatible with the unchangeable parts of the organisation's culture, (Thompson and Strickland, 1989).

mental models which are greatly influenced by cultural traits and business environment.

Organisation's culture therefore has a direct influence on strategy formulation in that people create strategy and culture is about people. For example, an organisation with a relatively stable management or one that has had a slow growth under a strong-willed leader will tend to have an implicit approach to strategy formulation since it is likely to have a more homogeneous paradigm. However organisations where there has been turnover of management or has grown rapidly through acquisitions will have learned to live with greater independence, hence will have to be formal in their approach to strategy formulation in order to not only promote unit of purpose in the organisation but also direction and commitment.

From the literature available on strategy development, it is clear that no author has proposed a universal process applicable to any conceivable organisation facing any kind of environment that would have a general validity. At the same time, the different views that have been proposed are all viable and should be seen as complimenting each other but not in isolation.

The strategic management approach that prevails in organisation is determined by various contextual factors which include the company's history, experience, size, ownership, the industry in which it operates, the business environment and the resources. As Song et al (2002 pg 969) observes since managers operate in this complex, and uncertain environment, they use 'Mental Models' to simplify and

understand the environment within which they work, hence managers from different organisations may differ in their managerial approaches because they use different mental models which are greatly influenced by cultural traits and business environment, which in turn, influence their managerial perceptions and decisions. And as the saying goes the proof of the pudding is in the eating.

The research problem in this study can be researched using a case study method whereby the study is on Kenya Bus Service Ltd., gathering facts, opinions and views of the people in the company, so as to get a clear insight of how strategy formulation is carried out in Kenya Bus Service Ltd. Kohari (1990) defined a case study as a very powerful form of qualitative analysis and involves a careful and 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 breadth. According to Odum and Katherine (1929) case study method is one which an individual factor, or a group is analysed in its relationship to any other in the group, while Young (1960) pg 247) describes case study as a comprehensive study of a unit be that unit a person, a group, a social institution, a district or community. The case study method is essential since it allows an intensive investigation of the Kenya Bus Service Ltd. Since case study method is a form of qualitative analysis, careful and complete observation of Kenya Bus Service Ltd. has been done and efforts have been made to study this particular institution in details and from the case data, generalisation and references has been drawn. This has given the study an advantage of having an in-depth understanding of the institution under consideration by obtaining facts from employees thereby necessitating a conclusion to be arrived at. However, case study method has its limitations, in that the researcher might be unable to collect data due to lack of access to



## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Research Design

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the source, or the researcher might be subjective or even the danger of false information, (Saunders et al 2000).

### **3.2 Data Collection**

The data for the research has been mainly from both primary and secondary data. The primary data was in-depth interview and open-ended questionnaires with Directors, Senior Managers and the rest of the Managers, which allowed for detailed information. In order to get detailed information, a questionnaire (attached Appendix 2) was prepared containing sets of different questions part a, b and c and were answered by the CEO, General Manager and other Managers respectively. The secondary source was the company's strategic plan(s), the reports on meetings, and internal memos and or circulars.

### **3.3 Data Analysis**

The data analysed sought to establish how strategy is formulated in Kenya Bus Service Ltd. Therefore the questionnaires were edited for both completeness and consistency and the data was coded. This allowed for content analysis from both the information from the interviews and the questionnaires. Contents analysis was best suited for the kind of data that was gathered since it avoided subjectivity as the data collected was unstructured. This was establishing the existence of certain concepts which were determined by the presence and frequency of certain words of phrases emanating from

the interviews discussions and the answers to the questionnaires. The meaning and implications of the phrases and word were then quantified and analysed.

#### 4.1 Introduction

This chapter will cover the research findings and discussions of the study results. The study results were based on the answers received from Kenya Bus Service Company's Chief Executive Officer (C.E.O), the General manager, 10 managers and 6 supervisors.

#### 4.2 Organisation Profile

This section sought to establish the company's history, size and management, operations and profit.

##### 4.2.1 History

Kenya-Bus Service Ltd was established in Africa in 1934 by United transport Overseas Services (UTOS) which was a subsidiary of United Transport International based in United Kingdom. The respondent noted that United Transport Overseas Services (UTOS) operated other business, like ferry services, overseas trading company (OTC), Nakuru Bus Services, Kenya Bus Services Mombasa and United Transport Company Harare (UTC). However according to the respondent stage coach holdings Ltd only bought United Transport shareholdings in Kenya Bus Services operating in Mombasa and Nairobi but sold off the operations in Mombasa in 1997. In 1998 the Kenya Bus

## **CHAPTER 4: RESEARCH FINDINGS AND DISCUSSIONS**

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Services operating in Nairobi and its environs became a wholly locally owned company with Nairobi City Council owning 5% of the shareholdings and a local consortium of investors owning 95 %.

The respondent indicated that the new management's aim is to create a locally public transport company that is within world class standards, services they believe Kenyans deserve and should have. The management has therefore embarked on an ambitious programme of re-inventing the company that was characterised by low customer confidence, arising from frequent breakdowns, unfriendly crew, high fares resulting from low buses availability and faulty buses. The programme is thus addressing issues like improved services, that is cleanliness, comfort and safety, reduction of fares, customer care focus, and also recognising the company's social responsibility in serving the community. The company has for example a policy to reinvest exponentially in the societies within which it operates hence partake in charitable operations like dettol heart run, support for AIDs programmes and offering subsidized bus passes for the disabled.

#### 4.2.2 Size and Management

The respondent stated that Kenya Bus Services has a fleet of more than 400 buses and 45 minibuses that are currently operating, rendering it probably the largest organised public road transport in the country. The respondent noted that a single bus requires an average of 6 staff including crew, engineering and support staff covering inspection teams and management.

The current total employees of the company are 3,500 who consist of 1,000 technical staff and 2,500 non-technical staff. The company main offices are in Nairobi while branch offices are in Mombasa, Kisumu and Eldoret.

(i) The new management made a decision to invest more in the upcountry divisions

The structures of the company can be described as a formal structure with one general Manager who oversees all the activities of the company and the CEO as the top level manager. The starting level of the managerial staff is the supervisory level. The respondent noted that the total number of managerial staff is 24. The managerial staff can be classified by both their level in the company and by the function they perform in the company. The first level managers are the supervisory while the functional managers are responsible for activities such as operations which include, Bustrack, Msafiri, Express, Shuttle, P.S.V. training school. Other activities include marketing, finance, customer care services, Human resource and engineering.

(ii) The New Management leased the whole Nairobi City fleet to another company

#### 4.2.3 Operations and Profit the company is owned by the same shareholders as

The current operations at Kenya Bus Services are totally different from the operations by the previous management. The respondent noted that the new management had to change their ways and methods of doing business in order to survive. Some of the notable changes in operation as stated by the respondent are:- For example, they do not

operate with schedules. The respondent noted that one of the reasons that

The New Management took over from the previous management – 2 divisions of road passenger transport, the intercity and intracity. The former with about 30 buses plying between Nairobi and upcountry destinations mostly western Kenya, while the latter

having a fleet of 300 buses servicing Nairobi city estates and its environs. Thus the intracity comprised of 95% of the total company as set base.

- (i) The new management made a decision to invest more in the upcountry divisions and according to the respondent, the company has so far spent over Ksh. 1 billion in this division. The company had not only to replace the buses already on the road but had also to increase their numbers and serve more routes.

The current situation is that the division has grown with 148 scheduled departures every 24 hours and 31 booking offices spread between Nairobi, Mombasa and all major towns in the Western Kenya. Unlike in the past it is this division that now contributes 95% of the total company's revenue.

- (ii) The New Management leased the whole Nairobi City fleet to another company called Bustrack, though the company is owned by the same shareholders as Kenya bus services ltd. in similar ratios of shareholding. All the 1,925 employees working in these buses were laid off but the respondent noted that the management cleared all its contractual obligations with them. Bustrack has adapted to some extent matatu way of doing business. For example they do not operate with schedules. The respondent noted that one of the reasons that stagecoach was unable to return a profit was because they operated British style operations of bus schedules hence making it difficult to compete with matatus who lack order.

Bustrack is running literally the same operation as matatus where employees are paid on a daily basis based on performance hence there is no certainty of employment. With these operations the Kenya Bus services has been able to cut on costs and also increase productivity since it enjoys economies of scale. The respondent confirmed that there has been growth in passenger numbers rendering the company to make good profits.

Presently the company according to the respondent is worthy about Ksh. 10 billion in total assets and its liquidity positions is very sound.

### 4.3 Business Strategy

The management of the company responded that central to the company's future development are the company's missions and visions statement which clarify the company's future direction as well as giving the company identity in the market. The mission statement of the company is **"To provide an efficient, safe, reliable and cost effective transport service"**. The vision statement is **"To attain a world class status as an efficient customer driven, transport service provider"**.

The management indicated that top on the factors considered in the statements is the customer's need and how best to satisfy the customers needs.

Both the mission and vision statements should only be a real managerial value if they are able to inspire and encourage the staff. The respondent indicated that both the mission and vision statements are communicated to the staff through wall pasted



boards placed at strategic positions within the organisations, like offices, booking offices, waiting lounges also inside the in-house magazines and are mentioned at meetings, induction and training courses. Thus the statements are well articulated by the staff and hence identify with them as they work towards the achievement of the business strategy.

While developing a concept of business and forming a vision of where the company needs to be headed are important components of a business strategy, without converting the mission into specific performance objectives might lead to the vision and mission statement as just being window dressing. Thus the management confirmed that they have developed company objectives to underpin the vision and mission of the company and to serve as yardsticks for tracking their performance progress and also to guard against internal confusion over what to accomplish. Some of the company goals highlighted are:-

- (i) To provide effective and affordable service.
- (ii) To excel in anticipating and responding to customers needs
- (iii) To secure a leading share of the market share in all segments and regions.
- (iv) To consistently deliver a viable financial position.
- (v) To attract, maintain and retain committed employees that share the ideals and success of the company.

The company goals are the end, but strategy, which is the means of achieving the goals, is definitely needed. Strategy indicates how the company will tackle its goals.

The broad business strategy of Kenya Bus service Ltd as outlined by the respondent has the following thrusts:-

(i) To turn around the company and maintain profitable operations thereafter. The management in pursuing this strategy have made a major change of investing heavily in the Intercity services. They have introduced more routes while increasing and replacing the buses. From an initial fleet of 30 buses, the number has increased to 150 buses serving several upcountry routes including new routes like Nairobi-Mombasa and vice versa.

The management has also expanded their operations, for apart from road passenger transport, the company operates the only fully fledged public service vehicle training school in the whole country where public service vehicle drivers are trained.

(iv) To institute tight cost controls. The management indicated that cost controls Other operations include parcels services within Nairobi and across the entire intercity network.

(ii) To provide affordable mass transport to commuter. The management has been able to reduce fares on most routes especially intracity routes. According to the respondent, the company pegs its fares according to the forces of demand and supply. Consequently the company has on average been able to keep its intracity fares fairly constant and lower than its rivals the matatus because it enjoys economies of scale.

- (iii) To have both product and market development which involves new product and venturing into new geographic markets.

In pursuit of this strategy, the company has been pursuing differentiation based on such advantages as quality performance service and focussing on a Nairobi market niche thus winning a competitive edge by doing better job than the rivals (matatus) of serving special needs and tastes of customers in the niche. The company has therefore introduced metro shuttle mini buses, which operate in the upmarket routes in the city and target those willing to pay a premium for a comfortable ride. This mode of transport has proved to be very popular and the respondent admits that the challenge is lack of resources to expand it. Currently this division of Kenya Bus Service contributes 5% of the total company's revenue.

- (iv) To institute tight cost controls. The management indicated that cost controls started immediately after take over by retrenching 1,925 employees most of who were working with the intractivity division. This was because the company could not maintain the employees who were on permanent terms with various benefits hence making it uncompetitive with matatus who had minimal labour costs. Hence the introduction of Bustrack with minimal operations costs, a strategy aimed at outwitting the matatus at their own game.

The management has been purchasing their buses locally from General Motors Company. According to the respondent, this has resulted in reduction of costs.

General Motors Company offers them credit and also produce buses with manual gear transmission which according to the management are best suited for African routes.

The company also maintains a strict scheduled engineering maintenance programmes to avoid regular breakdown of the buses.

#### **4.4 Challenges Facing Kenya Bus Service Ltd And Responses**

##### **To Them.**

The respondents described the Kenyan business environment as very harsh that has brought about many challenges. They identified the key challenges that the company has faced since the take over as follows:-

- (i) Lack of effective management
- (ii) Government policies
- (iii) Competition

An effective management is one that has the will, competence and the capacity to respond to the demands of the prevailing environment. The respondent therefore indicated that they have responded to this challenge of ineffective management by recruitment of new Managers (university graduates) to blend with the experienced ones in the company. The new managers also undergo a vigorous graduate management trainee programme before being absorbed in the company. The

Human Resource department has also developed training programme for the management to enhance their skills.

In order to keep the buses on the road and to enhance reliability, the company

Though the Government policies are a challenge to the company, the response has always been full compliance to avoid being in collision with the Government.

The company also ensures that every driver is proficient in driving by conducting refresher courses. over the rivals since the company is able to do a better service

Also in line with the Government policy the company continues to play a vital role in the creation of employment and enhancement of communication.

The respondent expressed concern on the intensity of competition in the road passenger transport sector, which they attributed to the fact that the industry has no barrier to entry and poor policing by the concerned authorities. The management has however responded by diversification both in their product and market. They have repackaged their services besides the basic transportation services by offering clean, safe, comfortable and reliable service at a reduced cost. that were highlighted

On safety, the drivers are not only regulated on exceeding 80 KPH speed limit with speed governors but the buses are also tracked via global positioning systems by Wells Fargo, who will respond in the event of accidents, robberies or unscheduled stops. elements which would reach many people at very low costs. Market

On comfortability, there has been focus on customer care and to enhance the focus, the company has all the staff trained on customer care. Staff selection criteria have

been adjusted to ensure suitability in service industry is given considerably weight in the recruitment process.

In order to keep the buses on the road and to enhance reliability, the company maintains a strict scheduled engineering maintenance programmes. Buses are thoroughly checked before every departure.

The above differentiation of the services that the company is undertaking has given it a competitive edge over the rivals since the company is able to do a better service than the competitor. This has resulted to growth of passenger since the take over by over 60% and the company expects more growth.

#### **4.5 Opportunities Encountered By Kenya Bus Services Ltd.**

The management indicated that the environment has not only shaped the challenges that they are facing but has also brought about opportunities facing the company. They have however not been able to exploit all the opportunities that they have encountered due to lack of finances. Some of the opportunities that were highlighted are as follows:-

The population growth, thus the rise in need for road public transport hence expansion and diversification of the fleet. Using bus panels and bus stations for advertisements which would reach many people at very low costs. Market segmentation like contracts with other companies for staff transportation, other hires and up market services.

Commercialisation of some of the in-house service e.g machine shop, training school and body building. Potential to become suppliers of spares, both imported and fabricated. Running smaller and faster vehicles and expansion of the network to East Africa communities. There is also the opportunity to run petrol stations.

Some of the above opportunities have already been exploited, for example market segmentation, public service vehicle training school is operational, advertising the company using the bus panels and the bus stations. However the rest of the opportunities are yet to be exploited due to financial constraints. The management intends to respond to them by generating enough cash flow through efficient operations.

#### **4.6 Mode Of Strategy Formulation**

The management was faced with a lot of challenges after the take over in 1998. They noted that they not only had to respond appropriately to the harsh business environment but the company had also to remain consistently profitable in order to appeal to the shareholders. The management thus recognised the need to prepare a strategic plan to guide the company's future operations. Consequently several workshops and seminars were held between May 1999 and December 1999 by all the management staff of the company (all the supervisors, Managers and CEO) to prepare a strategic plan and were facilitated by manpower service (a consultant firm).

Organisations are environment dependent and there is a strong need to analyse the environment they operate in and identify indicators that may affect the direction of their strategy. The Management of Kenya Bus Service appreciates the importance of analysing their strengths and weaknesses against the opportunities and threats. Hence in order to set the strategic agenda for the company, a thorough strategic analysis was undertaken where the external and internal environment of the company were assessed leading to identification of strengths, weaknesses, opportunities and threats of the company.

#### (i) Existing competitors

The current vision and mission statements of the company were developed in light of the swot analysis undertaken. The respondent noted that both the mission and vision statement changed after the take over to reflect the new management team and the localisation of the company as it had become a fully indigenous owned company.

#### (vii) Resource available especially funds

The statements developed set the company apart from the others in the road passenger transport industry by giving it its own special identity character. The statement also have taken into consideration the services the company provides and how the service satisfy the customer's need.

The above activities undertaken by the managers i.e., setting up the companies boundaries within which to operate by developing the vision and mission of the company, plus having a clear analysis of the strategic situations facing them upon



which strategic decisions made by the managers are based on. These activities clearly indicate that the managers at Kenya Bus Services Ltd, make deliberate efforts to formulate the company's strategies. Managers think and plan on the strategic moves and approaches to develop as opposed to survival.

The management stated that there are several factors that are considered before a choice of strategy is made. This is necessary to ascertain that the strategy chosen addresses the circumstances in which the organisation operates. The factors that are thus considered by the company are:-

- (i) Existing competitors
- (ii) New competitors
- (iii) Customers
- (iv) Suppliers
- (v) Government Policies
- (vi) Infrastructure
- (vii) Resource available especially funds
- (viii) International trends of fuel prices, economic instruments.

However though they consider all the above factors, the existing competitors customer and available resources (funds) plays the largest role in consideration of the strategy to be adopted.

The managers are aware that in designing viable strategies for the company, there is need for a thorough understanding of the companies' level of competition for the

essence of strategy formulation is coping with competition. Hence the managers have to address questions like who are closest competitors and what are the major determinants of competition. Thus according to the respondent, their competitors are competing in various ways but one of the most obvious way is through fares. Competitors are using the you get what you pay for approach, that is the amount the customers are willing to pay for the service rendered. Therefore the respondent agree that the art in this case is to discover and know who are the company's customers, what are the customers' needs and then develop strategies that can lead to satisfaction of the customers' needs better than their competitor. However the strategies that the managers develop have to be feasible and that is why they are concerned with the resources available in the company. The respondent indicated that the concern of resources by managers attempts to ensure that the strategies developed can be implemented within the physical, human and financial resources available in the company.

An organisation needs both long term and short term objectives. According to the respondent, the company's long term objectives targeted 5 year period. These objectives were developed in light of the strategic analysis undertaken hence achievable. The long term objectives developed included, to improve in service and value, human resource development, improvement in market share and financial strength and improvement in customer satisfaction.

4 From long term objectives, a top-down approach was used to divide these objectives into specific targets that all the section and departments are responsible for achieving. Thus though all the units of the company have their own objectives, they all aim at achieving the overall company's objectives. The unit's objectives act as the stairsteps for reaching the company's ultimate objectives.

The respondent believes that for the company to implement the strategic plan successfully, there is need to effectively communicate the same to all the staff of the company. The staff needs to articulate the vision and mission statements as well as know the goals and objectives of the company. Consequently the strategic plan documented by the company contains, the vision, mission, objectives, action plan with specific actions to be undertaken by each section. The staff undergoes in house training and is reminded in meetings the contents of the strategic plan and their role in ensuring successful implementation of the plan. The operational procedures and manuals also act as a guide to the staff.

The company reviews the strategic plan annually. The review involves only managers. The management appreciates that evaluating performance and making adjustments are necessary in trying to make the strategy implementation better. Some of the changes and adjustments that they have had to make include, budget revision and reorganisation of personnel.

## 4.7 Factors Influencing The Mode Of Strategy Formulation

The CEO of Kenya Bus Service Ltd delegates authority to formulate strategic decisions to other managers at all levels. This implies that the leadership style approach by the CEO of Kenya Bus Service is participative and has also influenced the strategic planning and management process of the company. The respondent indicated that there are various factors that have influenced formality in strategy development process in the company. One main factor that the respondent stressed was the decline in performance by the company by the time the new management took over. The respondent described the company's performance then as so poor such that it was making heavy losses. The respondent indicated that it was one of the reasons that made the previous owners (Stagecoach inc.) to make a decision to sell the company. Thus the new management had to make deliberate decisions on what approaches to take in future to not only avoid the mistakes that had been done in the past, but to also turn around the company to a profitable making company.

Another factor attributed to the formality of strategy formulation is environment. The respondent described the environment as very harsh and dynamic leading to uncertainty. One of the elements of the environment is the dynamic need of the customers. The respondent noted that the populace is aware of the need for safety, comfort, cleanliness and value paid for the services. Another element is the emerging technology especially in motor vehicle industry. The company has to keep up with the new models of buses that are emerging everyday. The Government policies and regulations are changing as the Government try to regulate the road public transport sector. These factors have forced the managers to plan for a unifying strategy that will direct the staff on the best actions to take to cope with these changes to avoid confusion among the staff.

## CHAPTER 5: SUMMARY, CONCLUSIONS AND

The CEO of Kenya Bus Service Ltd delegate authority to formulate strategic decisions to other managers at all levels. This implies that the leadership style approach by the CEO of Kenya Bus Service is participative and has also influenced the strategic planning and management processes of the company.

The company is predominantly owned by indigenous Kenyans holding 95% of the shareholding as such the management of the company is professional. The structure of the company is formal as stated by the respondent and therefore decisions are made with a lot of planning and participation of the management

The first objective of the study was to establish the approach(s) that Kenya Bus Service Ltd has used in their strategy development from 1998 to date. The findings of the study indicate that there exists a process of developing strategy at Kenya Bus Service Ltd and it is highly formalised.

This conclusion is drawn from the fact that, the managers deliberately spend time thinking about strategy and plan on how to formulate it.

The managers are also aware of the need to have a clear analysis of the strategic situations facing them before they choose on the strategy to pursue. They have therefore made use of swot analysis tool to analyse their strengths and weaknesses against the opportunities and threats.

The presence of mission and vision statements also acts as a strong foundation of strategic planning. The mission and vision statements are in writing, mainly as a way of engraving them in the minds of all employees. They guide the

## **CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter summarises the findings of the study in relation to the objectives of the study. It also includes conclusions drawn from the study, recommendations, and limitations of the study.

### **5.1 Summary and Conclusion**

The first objective of the study was to establish the approach(s) that Kenya Bus Service Ltd has used in their strategy development from 1998 to date. The findings of the study indicate that there exists a process of developing strategy at Kenya Bus Service Ltd and it is highly formalised.

This conclusion is drawn from the fact that, the managers deliberately spend time thinking about strategy and plan on how to formulate it.

The managers are also aware of the need to have a clear analysis of the strategic situations facing them before they choose on the strategy to pursue. They have therefore made use of swot analysis tool to analyse their strengths and weaknesses against the opportunities and threats.

The presence of mission and vision statements also acts as a strong foundation of strategic planning. The mission and vision statements are in writing, mainly as a way of engraving them in the minds of all employees. They guide the

employees in understanding the reason for the existence of their organisation, and its direction.

In developing strategy, the management has not only involved a consultancy firm but also managers at all levels (including supervisors). The involvement of the entire management team of the company helps to create a sense of ownership of the strategy development and by extension ownership of the company since they are contributing towards the destiny of the company.

The strategy development plan is documented which helps to communicate the intended strategy to other members of staff. The documentation also acts as a point of reference for the management to remind them of what direction they are steering the company towards. The documentation also helps to avoid confusion since the strategic plan outlines, giving details of who is involved at what stage of the strategy implementation. During the evaluation, the documentation is very important since it is used as a means of control by having regular review of performance and progress against the laid down company objectives.

## 5.2 Limitation

The second objective of the study was to establish the various factors that have influenced the Kenya Bus Service Ltd strategy development process. From the findings the following factors have greatly influenced the process of strategy development at Kenya Bus Service Ltd:- the environment, the ownership, leadership and the organisational structure.

The respondents stated that the nature of the business environment that the company is operating in, is very turbulent requiring the managers to not only analyse, but also think about the complex strategic problems facing the company.

The company is predominantly owned by indigenous Kenyans, and as such, the management of the company is professional. From the findings, there is a general understanding by the management regarding the direction the company is moving, though manager are allowed to make quick (ad hoc) decision as situations arise.

The findings of the study show that the leadership style that the CEO of Kenya Bus Service Ltd can be identified with, is the participative style. This is due to the fact that he involves the other managers in the crafting of strategy.

The organisational structure of Kenya Bus Service Ltd is formal as stated by the respondent. As such therefore, decisions are made with a lot planning.

## **5.2 Limitation**

It is worth noting that there were limitations in the study. The request for access to the company's information from the CEO took so long before it was accepted. This was because of the tight schedules of the CEO and lack of perceived value of the study in relation to the company. However this limitation was overcome by



providing in writing the purpose of the study and the applicability of the research to the company.

Another limitation was the concern of the respondent about the confidentiality of some of the information like the strategic plans, memos, minutes of progressive reports. In this case, the researcher was only allowed to read under supervision, make notes but not to photocopy.

### **5.3 Recommendations**

Several approaches to strategy development process have been advocated by various authors and scholars. There is however no one universal formula of strategy process applicable to all organisations. The ways that managers approach strategy development in their organisations differ. This study was only focussing on Kenya Bus Service Ltd, a locally owned company in Kenya, therefore I would recommend that the study could be replicated to foreign owned and Government owned organisations. Further studies could also be carried out on implementation and evaluation of the strategies developed.

## Appendix 1

MUHORO, A.W.  
Faculty of Commerce  
University of Nairobi  
P.O. Box 30197  
**NAIROBI**

Managing Director  
Kenya Bus Services Ltd  
P.O. Box 30563  
**NAIROBI**

Dear Sir,

### **RE: REQUEST FOR USE OF COMPANY, INFORMATION**

I am carrying out a Management Research Project as a requirement in partial fulfilment of the degree of Masters in Business Administration, University of Nairobi. My area of study is the process of strategy formulation.

To enable me do the research therefore, I am requesting the use of your Company's information through interviews and completion of questionnaire attached. Please note that any information used will be highly confidential and will only be for academic purposes only. A copy of the completed research project will be availed to you.

Your co-operation will be highly appreciated.

Yours truly,

**MUHORO, A.W.**

## Appendix 2

### QUESTIONNAIRE

UNIVERSITY OF NAIROBI  
FACULTY OF COMMERCE  
DEPARTMENT OF BUSINESS  
STUDY QUESTIONNAIRE

N.B.

The information in this questionnaire will be treated confidentially and will not be used for any other purpose other than academic.

**A. To be answered by the Chief Executive Officer**

**PLANNING AND STRATEGY FORMULATION**

1. What is the company's mission statement?

2. Did the mission change after the take over?

Yes

No

3. If yes, what was the mission before?

Very important A  Least important B

4. What necessitated the changing of the mission?

New Competitors

Customers

5. What is the vision of the company?

6. What are the goals/objectives of the company?

7. Does your company formally or informally formulate strategies to respond to the changes in the environment?

8. Who is involved in the formulation of strategy?

9. What factors do you consider in formulating strategies?

- (i) existing competition
- (ii) new competitors
- (iii) customers
- (iv) suppliers
- (v) Government policies
- (vi) Infrastructure
- (vii) Any other .....

10. At this moment in your business, how would you rank the above factors in order of importance?

Very important A  Least important B

- i. Existing competitors
- ii. New Competitors
- iii. Customers

- 18 iv. Suppliers
- 19 v. Government policies
- vi. Infrastructure
- 20 vii. Any other.....  
 .....

21 Are there some opportunities you have not been able to exploit?

Yes

No

11 How would you describe your business environment?

**Tick the correct one**

(i) Very Stable

(ii) Fairly Stable

(iii) Very Turbulent

(iv) Fairly Turbulent

12 What are the challenges you have faced since the take over?

24 How do you intend to respond to them?

13 How have you responded to the challenges?

14 Are there some challenges you have not responded to?

Yes

No

15 If yes, which challenges?

16 Why have you not responded to them?

17 How do you intend to respond to them?

- 18 How aggressive is the company in responding to the challenges?
- 19 What are the business opportunities you have encountered since the take over?

To be answered by the General Manager

- 20 How have you exploited them?

COMPANY'S INFORMATION

- 21 Are there some opportunities you have not been able to exploit?

**Yes**  **No**

Please circle appropriately

- 22 If yes, which opportunities? (51% or more)

- (i) predominantly Foreign (51% or more)
- (ii) balance between Foreign and Local (50% each)

- 23 Why have not been able to exploit them? .....

2. Directorship of the company (please circle appropriately)

- 24 How do you intend to respond to them? (are)

- (i) predominantly non-family (50% or more)
- (ii) All family
- (iv) Any other .....

3. How many employees does the company have by the year 2003?

4. How many of the employees are technical?

5. How many of the employees are non-technical?

6. How can you describe the company structure? Is it formal or informal

**B. To be answered by the General Manager**

Yes

No

**(i) COMPANY'S INFORMATION**

1. Ownership :-

Please circle appropriately

(i) predominantly Local (51% or more)

(ii) predominantly Foreign (51% or more)

(iii) balance between Foreign and Local (50% each)

(iv) Any other .....

.....

2. How important is long term planning to the future success of your organisation?

2. Directorship of the company (please circle appropriately)

(i) predominantly family (50% or more)

(ii) predominantly non-family (50% or more)

(iii) All family

(iv) Any other .....

.....

3. How many employees does the company have by the year 2003?

4. How many of the employees are technical?

5. How many of the employees are non-technical?

6. How can you describe the company structure? Is it formal or informal

(ii) **Strategy Planning**

1. Does the company develop strategic plans? **Yes**  **No**

2. If yes, when was the latest strategic plan developed?

3. Who are involved in the development of strategic plans?

4. Is the strategic plan communicated to the other employees?

**Yes**  **No**

5. If yes, what form of communication is used?

6. How important is long term planning to the future success of your organisation?



**C. To be answered by other managers**

1. Are you aware of the current strategies of the company?

Yes

No

2. Were you involved in the development of these strategies?

Yes

No

3. If yes, how much were you involved?

Very much

Not very much

4. Was your input through:-

(i) Meetings

(ii) Memos

(iii) Any other

5. If any other, explain.

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