

**CHALLENGES OF STRATEGY IMPLEMENTATION  
AT KENYA REVENUE AUTHORITY**

**BY**

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## DECLARATION

This research project is my original work and has not been submitted to any other University for the award of degree.

Signed.......... Date 17<sup>th</sup> Nov 2008

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D61/P/8294/03

This research Project has been submitted for examination with my approval as the University Supervisor

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## **DEDICATION**

**This research work is dedicated**

**To Esther my dear wife and best friend,**

**And**

**To my lovely children Kiptoo, Kimutai and Kiplimo**

**Who gave me all the support I required throughout the time of my study.**

## AKNOWLEDGEMENT

I am indebted to a number of persons who gave me the inspiration to enrol and complete the MBA course. In this regard, therefore, special thanks to my family and friends for their encouragement and support. I am especially grateful to my wife Esther for her tremendous support and constantly reminding me there was work to do throughout my demanding job and tight MBA schedule.

Special thanks go to my supervisor Dr. Martin Ogutu, not only for adequate constructive advice, professional guidance and coaching offered during this research but for his constructive criticisms, encouragement and support. The knowledge imparted was not only practical but also quite valuable.

I am grateful to the university of Nairobi community for providing an adequate and enabling learning atmosphere as well as for granting me the opportunity to undertake the MBA, where I gained valuable and enriching experience. I wish all of you the very best in your endeavours to provide high quality education.

I am deeply appreciative of staff, management and leadership of Kenya Revenue Authority (KRA) who were kind enough to spare their precious time to participate in this research. Their responses and thoughtful insights certainly enhanced my understanding of the KRA operations. Without their cooperation and participation, this research would not have taken off. God bless the respondents who sacrificed their time for the interview in spite of their very busy schedules. And to the Almighty, thank you for making it happen.

Finally, I take this opportunity to thank all those participated directly or indirectly, knowingly or unknowingly towards the successful completion of this research project, your contributions were significant in their own special way and I say to you all, thank you very much.

## ABSTRACT

Strategies are critical in organizational functioning, but whereas most organizations have good strategies, successful strategy implementation remains a major challenge in the strategy implementation processes. The notion of strategy implementation might seem quite straight forward on the surface yet in the contrary, transforming strategies into actions is far more complex, difficult and challenging. That is why these challenges, needs to be addressed, because even the best strategy would be ineffective if not implemented successfully and hence the overall results may not be achieved as expected

The research project was a case study on Kenya Revenue Authority (KRA). The objectives of the study were to identify the challenges encountered in implementing their strategies and to establish measures taken by the Authority to cope with these challenges faced during strategy implementation.

In order to solve these research objectives, primary data was collected using interview guide by administering personal interviews targeting mainly those respondents who are charged with the responsibility of implementing strategies at KRA.

The study established that most of challenges of strategy implementation at KRA emanated from both internal and external stakeholders. To a larger extent, the study found out that the Corporate strategy itself, organizational politics, structure and culture, Government decisions, inadequate resources, inadequate communication, uncontrollable factors, resistant to change as the major challenges encountered during implementation of strategies while on the other hand, the chief Executive Officer provided the guidance and direction needed to achieve the targeted results.

The study provides Revenue Authorities with useful information on how to successfully implement their strategies in future by adopting appropriate styles and to come up with effective monitoring and control systems to mitigate challenges associated with strategy implementation.

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## ABBREVIATIONS

CBS	:	Community Based System
CEO	:	Chief Executive Officer
CG	:	Commissioner General
DI	:	Departmental Instructions
ETR	:	Electronic Tax Register
ICT	:	Information and Communication Technology
ITMS	:	Integrated Tax Management System
KEBS	:	Kenya Bureau of Standards
KRA	:	Kenya Revenue Authority
MBA	:	Master of Business Administration
MBWA	:	Manage By Walking Around
MOW	:	Ministry of Works
SED	:	Single Entry Document
USD	:	United States Dollar
VAT	:	Value Added Tax



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# CHAPTER ONE: INTRODUCTION

## 1.1 Background

Strategies are critical in organizational functioning, but whereas most organizations have good strategies, successful strategy implementation remains a major challenge in the strategy implementation processes. The notion of strategy implementation might seem quite straight forward on the surface yet in the contrary, transforming strategies into actions is far more complex difficult and challenging and therefore not a straight forward as one would imagine (Aaltonen and Ikavalko, 2002). To ensure success, the strategy must be translated into carefully implemented actions, that is, the strategy must be translated into guidelines for the daily actions of the organization's members, the strategy and the firm must become one and in implementing the strategy, the organization's managers must direct and control actions and outcomes and adjust to change since implementation takes place in a changing environment.

Although strategy implementation is viewed as an integral part of strategic management process little has been written or researched on it (Awino, 2001). Indeed strategies cannot take effect until they take shape in action. Such actions take form in the day-to-day process and relationships that exist in organizations and these need to be managed, desirably in line with the intended strategy. To successfully initiate an organizational action, there must be action plans and short-term objectives. Development of specific functional tactics that create competitive advantage and also personnel should be empowered through policies to guide decisions. According to Koske (2003), the process of strategic management does not end when the organization makes a decision as to what strategy it must pursue. It calls for the consideration of several steps from formulating vision and objectives to their implementation. (Pechlaner and Sauerwein, 2002). Organization today face major unpredictable changes that make strategy implementation more difficult and complex than in the past (Harvey, 1998). He pointed out that 80% of organization's directors believe that they have good strategies but only 14% believe that

they implemented them well. (Mintzberg and Quinn, 1991) also indicate that a considerable proportion (65%) of organizational strategies fail to get implemented effectively.

### 1.1.1 Strategy Implementation Challenges

The implementation of the appropriate strategies remains one of the most difficult areas of management. Considerable thought, energy and resources is given over the devising a strategic plan. Mintzberg (1994) noted that the plan, rather than the implementation comes in for scrutiny when a strategy fails because it is less problematic to analyze. But the whole point of a strategy is that it will be implemented and implemented successfully.

Strategy implementation normally faces numerous challenges especially in the turbulent environment, which need to be addressed on a continuous basis in order attain the long term objectives. Thus, execution must be controlled and evaluated if the strategy is to be successfully implemented and adjusted to changing conditions. However, during implementation various challenges are encountered and need to be addressed if the strategy is to be realized. Implementation can be defeated if the attitudes and habits of managers and employee are hostile or at crossroads with the needs of the strategy and if their customary ways of doing things block strategy implementation instead of facilitating it.

David (1997) Stated that 10% of the formulated strategies are successfully implemented while 90% of well formulated strategies fail at implementation stage. Ansoff and McDonnell (1990) noted that while implementing strategy is such an important activity, it is not easy. Most excellent strategies fail when attempts to implement them are made. According to Pearce and Robinson, (2004) the reason that have been advanced for the success or failure of strategy implementation revolve around the nature of the strategy itself, the policies and support system, alignment of the strategy to the short term objective and sub-strategies, the allocation of resources, the fit between structure and strategy, leadership, communication process and the organization culture

Other challenges will come in the form of finding the fits between strategy and internal organization structure, strategy and allocation of budgets and staff size, strategy and organizational systems of reward and incentives, strategy and internal policies, practices and procedures, strategy and internal organization atmosphere, that is, values and beliefs, shared by managers and employees, the philosophies and decision making style of senior managers. (Thompson and Strickland, 1997)

Past literature details several factors responsible for successful strategy implementation and also the challenges expected or encountered while implementing strategic plans. Successful strategy implementation depends upon the skills of working through others (delegation) organizing, motivating, culture building and creating strong fits between strategy and how the organization does things. Strategy implementation is successfully initiated in three inter-related stages (Pearce and Robinson, 2004): First, identification of measurable, mutually determined annual objectives which convert long-term objectives into specific, short-term ends, secondly, development of specific functional strategies which translate grand strategy at the business level into current action unit plans and thirdly, development and communication of concise policies to guide decisions and provide guidelines for operation while executing strategies.

### **1.1.2 Kenya Revenue Authority (KRA)**

The Kenya Revenue Authority was established by an Act of Parliament on July 1st 1995 Cap. 469. The Authority's mandate and core business is to assess, account for, administer and enforce all laws relating to, revenue in most efficient and effective way. The Authority's vision is to be the Leading Revenue Authority in the World respected for Professionalism, Integrity and Fairness while its mission is to promote compliance with Kenya's tax, trade and border legislation and regulation by promoting the standards set out in the Taxpayers Charter and responsible enforcement by highly motivated and professional staff thereby maximising revenue collection at the least possible cost for the socio-economic well being of Kenyans. (KRA Second Corporate Plan 2003/04-2005/06)

Board of Directors is the KRA's governing organ. It is responsible for the review and approval of policies and monitoring the functions of KRA. The Authority operates under the aegis of the Director of Economic Affairs Department at the Treasury. The Chief Executive of the Authority is the Commissioner General (CG). The CG is assisted by six (6) Commissioners, namely: Commissioner of Customs Services, Commissioner of Domestic Taxes-Revenue, Commissioner of Domestic Taxes-Large Taxpayer Office, Commissioner of Investigation & Enforcement, Commissioner of Motor Vehicles and Commissioner of Support Services. In addition, there are eight (8) other Headquarter Departments whose heads report directly to the CG, namely: Research & Corporate Planning, Finance, Human Resources, Information & Communication Technology, Internal Audit, Marketing & Communication, Legal Services and Board, Corporate Affairs & Admin.

KRA's role in National Economic Development is to administer and enforce written laws, enhance efficiency and effectiveness of tax administration, eliminate tax evasion, ensure protection of local industries and facilitate economic growth through effective administration of tax laws relating to trade and be a 'watchdog' for the Government agencies by controlling exit and entry points to the country to ensure that prohibited and illegal goods do not pass through Kenyan borders.

## **1.2 Statement of Research Problem**

According to Johnson and Scholes (2004) the implementation of appropriate strategies remains one of the most difficult areas of management. Considerable thought, energy and resources is given over to devising a strategic plan. It is the fine detail of the plan that attention turns to when things go wrong. Mintzberg (1994) noted that the plan, rather than the implementation comes in for scrutiny, because it is less problematic to analyze. Perhaps this is because, whereas the plan can be devised under pollution-free, almost laboratory conditions, the working out of the plan takes place in the real world infected with real world variables (Porter, 1996). But the whole point of a strategy is that it will be implemented and implemented successfully.

David (1997) Stated that 10% of the formulated strategies are successfully implemented while 90% of well formulated strategies fail at implementation stage. Ansoff and McDonnell (1990) noted that while implementing strategy is such an important activity, it is not easy. Most excellent strategies fail when attempts to implement them are made. According to Pearce and Robinson, (2004) the reason that have been advanced for the success or failure of strategy implementation revolve around the nature of the strategy itself, the policies and support system, alignment of the strategy to the short term objective and sub-strategies, the allocation of resources, the fit between structure and strategy, leadership, communication process and the organization culture.

Many organizations operate in different environment and therefore they compelled to align their strategies to the ever changing turbulent situations in order to survive and remain competitive. KRA is no exception despite the fact it is the only body established to collect and account for taxes collected. Although, KRA has more or less being improving on revenue collection over time and sometimes surpassing the treasury targets, there is still the revenue shortfall because the revenue collected meets only 90% of the its capital and recurrent expenditures needs. Therefore, there still room to take administrative measures to not only surpass the targets to collect sufficient revenue to meet all the government financials needs without relying on external funding.

In order to collect sufficient revenue, the KRA Board of directors and management equipped the Research & Corporate planning department with necessary skills and equipment to come up with a corporate strategy stipulating ways and administrative measures required to increase revenue collection and protect the country from importing banned and contrahand goods.

The Research & Corporate Planning department was mandated to come up with an improved Corporate Strategic Plan to guide and provide a sense of direction for the Authority. The strategic plan contains grand strategies with functional strategies that the Authority ought to implement in a 3 years period on a continuous basis staring from year 2000. The Authority is expected to have implemented the chosen strategies to the satisfaction of its stakeholders, but to the contrary the general business community and its taxpayers are complaining about its poor service delivery. The complaints ranged from

poor strategy implementation, inadequate capacity in handling and processing huge tax returns to the corrupt practices between some employees and the taxpayers.

Although a lot of work has been done on the areas of strategy implementation by past researchers including Odhiambo, (2006), Aosa, (1992), Ephraim, (2006), Koske, (2003), Githui, (2006), Karuri, (2006), there is still exist knowledge gap because none of them focused on what happens with regard to strategy implementation at KRA despite the fact that it is the only government appointed tax agent collector in the country. A research conducted by Odundo, (2007) on KRA, focussed on Change Management Practices adopted by KRA, but did not cover in detail the challenges faced in strategy implementation. Due to the differences of the organizations set up and the environment under which it operates, the challenges faced in strategy implementation at KRA will definitely be at variance with the other firms. Therefore, this study seeks to answer the following questions.

- i. What are the challenges experienced at KRA in Strategy implementation?
- ii. What measures has KRA taken to cope with these challenges?

### **1.3 The Research Objective(s)**

The research seeks to ascertain the following objectives:

- (i) To identify the challenges encountered by KRA in strategy implementation
- (ii) To establish measures taken by KRA to cope with the challenges faced in strategy implementation.

### **1.4 Importance of the Study**

The study will not only benefit the KRA in providing an insight of the pitfalls encountered in strategy implementation, but also provide other revenue Authorities within East African Federation, that is, Uganda Revenue Authority, Tanzania Revenue Authority, Rwanda Revenue Authority and Burundi Revenue Authority and in identifying the mitigating factors in resolving the said pitfalls in order to successfully implement their adopted strategies.

Study will provide the Revenue Authorities with useful information on how to successfully implement their strategies and to come up with effective monitoring and control systems to mitigate challenges associated with strategy implementation. This will assist the Authorities to come up with informed decisions on the appropriate strategy implementation style now and in future.

The findings of the study will be used by the researchers for further research work in areas of identified knowledge gap, policy makers for making informed decisions and practitioners for coming up with the appropriate styles and methods of implementing strategies successfully.



## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Strategic Management Process

First, it is prudent to define what strategy is before defining strategic management. Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations (Johnson and Scholes, 2004). It's about where the business is trying to get to in the long-term, which activities and market it will be involved in and what resources it needs to achieve the expected goals.

David, (2002), defined strategic management as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. As this definition implies, strategic management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and computer information systems to achieve organizational success. Sometimes the term strategic management is used to refer to strategy formulation, implementation, and evaluation, with strategic planning referring only to strategy formulation. The purpose of strategic management is to exploit and create new and different opportunities for tomorrow; long-range planning, in contrast, tries to optimize for tomorrow the trends of today.

According to Johnson and Scholes, (2004), strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategic into action. Strategic management is therefore, a systematic approach to major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will ensure its continued success and make it secure from surprises. Strategic management is concerned with deciding on strategy, and planning how that strategy is to be put into effect. It can be thought of as having three main elements within it. There is strategic analysis, in which the strategist seeks to understand the strategic position of the organization. There is strategic choice which is to

do with the formulation of possible courses of action, their evaluation and choice between them. Finally there is strategic implementation which is concerned with planning how the choice of strategy can be put into effect. The three elements of the strategic management are often seen as sequential in traditional texts, but actually they overlap and interact so that partial implementation may modify strategic choices for example.

### **2.1.1 Strategy formulation**

According to Pearce and Robinson, (2004) strategy formulation is designed to guide executives in defining the business their company is in, the aims it seeks, and the means it will use to accomplish these aims. Therefore, strategy formulation combines a future-oriented perspective with concern for a firm's internal and external environments in developing its competitive plan of action. David, (2002), described strategy formulation as including developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses (SWOT Analysis), establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue.

Strategy-formulation issues include deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, whether to merge or form a joint venture, and how to avoid a hostile takeover. He urges that because no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most. Strategy-formulation decisions commit an organization to specific products, markets, resources, and technologies over an extended period of time. Strategies determine long-term competitive advantages. For better or worse, strategic decisions have major multifunctional consequences and enduring effects on an organization. Top managers have the best perspective to understand fully the ramifications of formulation decisions; they have the authority to commit the resources necessary for implementation

### **2.1.2 Strategy Implementation**

According to Pearce and Robinson, (2004), strategic implementation is defined as a set of decisions and actions that results in the formulation and implementation of long-term plans designed to achieve organizational objectives. Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant systems (Bryson, 1995). Strategy implementation is concerned with both planning on how the choice of strategy can be put into effect, and managing the changes required. David, (2002), described strategy implementation as an action stage of strategic management. Implementing strategy means mobilizing employees and managers to put formulated strategies into action. Often considered to be the most difficult stage in strategic management, strategy implementation requires personal discipline, commitment, and sacrifice. Strategies formulated but not implemented serve no useful purpose. Interpersonal skills are especially critical for successful strategy implementation.

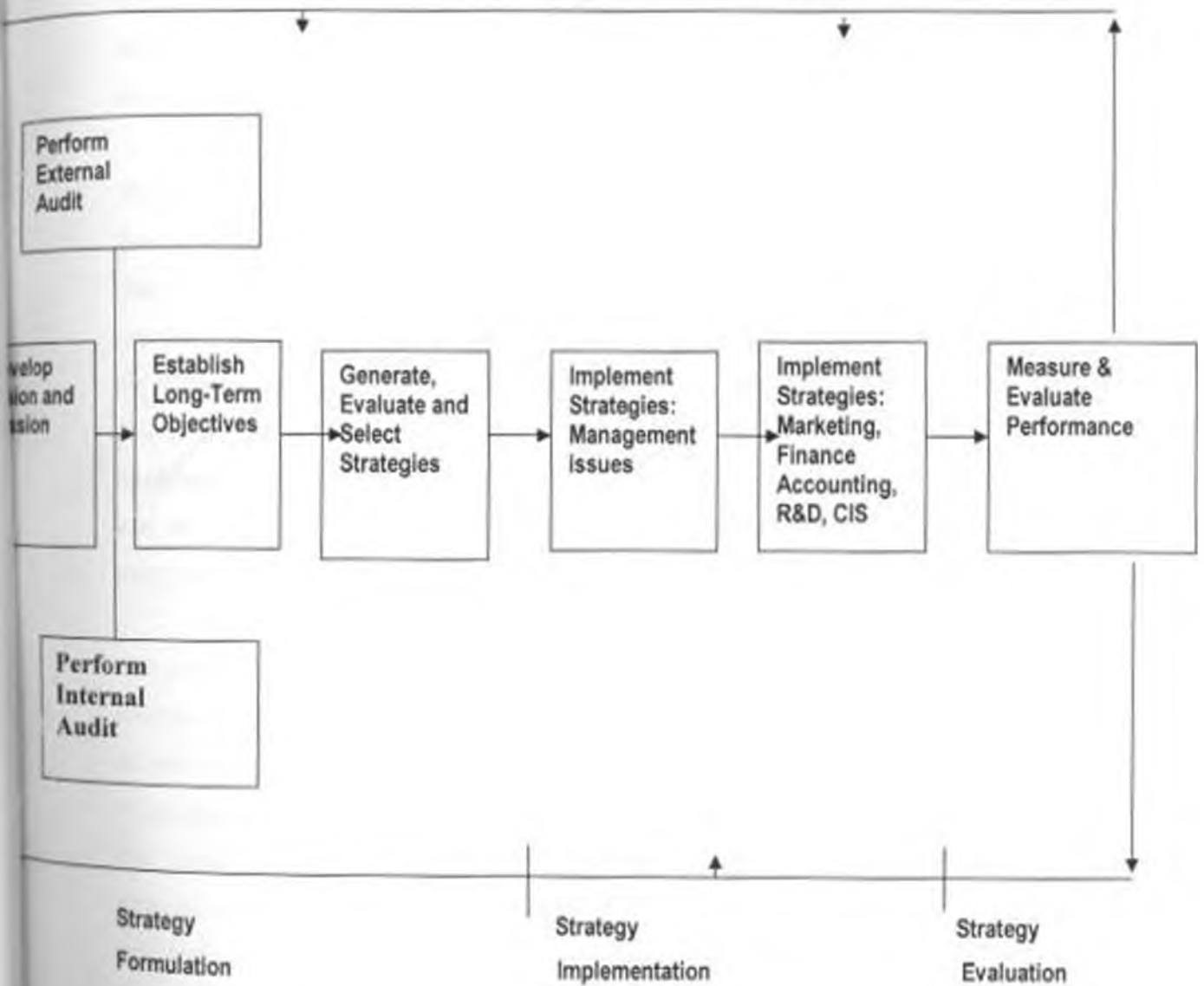
### **2.1.3 Strategy evaluation**

According to Pearce and Robinson, (2004), strategy evaluation is concerned with tracking the strategy as it is being implemented, detecting problems or changes in underlying premises, and making necessary adjustments. David, (2002), defined strategy evaluation as a final stage in strategic management. In this stage, managers desperately need to know when particular strategies are not working well; strategy evaluation is the primary means for obtaining this information. All strategies are subject to future modification because external and internal factors are constantly changing. Three fundamental strategy-evaluation activities are (1) reviewing external and internal factors that are the bases for current strategies, (2) measuring performance, and (3) taking corrective actions. Strategy evaluation is needed because success today is no guarantee of success tomorrow! Success always creates new and different problems; complacent organizations experience demise.

### 2.1.4 The Strategic-Management Model

The strategic-management process best can be studied and applied using a model. Every model represents some kind of process. The framework illustrated in **Figure 1** is a widely accepted, comprehensive model of the strategic-management process.

**Figure 1: A comprehensive Strategic Management model**



Source: Fred R. David, "How Companies Define Their Mission," Long Range Planning 22, no. 3 (June 1998): 40

This model does not guarantee success, but it does represent a clear and practical approach for formulating, implementing, and evaluating strategies. Relationships among major components of the strategic-management process are shown in the model.

Identifying an organization's existing vision, mission, objectives, and strategies is the logical starting point for strategic management because a firm's present situation and condition may preclude certain strategies and may even dictate a particular course of action. Every organization has a vision, mission, objectives, and strategy, even if these elements are not consciously designed, written, or communicated. The answer to where an organization is going can be determined largely by where the organization has been!

The strategic-management process is dynamic and continuous. A change in any one of the major components in the model can necessitate a change in any or all of the other components. For instance, a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission. Therefore, strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semiannually. The strategic-management process never really ends.

The strategic-management process is not as cleanly divided and neatly performed in practice as the strategic-management model suggests. Strategists do not go through the process in lockstep fashion. Generally, there is give-and-take among hierarchical levels of an organization. Many organizations conduct formal meetings semiannually to discuss and update the firm's vision, mission, opportunities/threats, strengths/weaknesses, strategies, objectives, policies, and performance. These meetings are commonly held off-premises and called *retreats*. The rationale for periodically conducting strategic-management meetings away from the work site is to encourage more creativity and candor among participants. Good communication and feedback are needed throughout the strategic-management process.

Application of the strategic-management process is typically more formal in larger and well-established organizations. Formality refers to the extent that participants, responsibilities, authority, duties, and approach are specified. Smaller businesses tend to be less formal. Firms that compete in complex, rapidly changing environments such as technology companies tend to be more formal in strategic planning. Firms that have many divisions, products, markets, and technologies also tend to be more formal in applying strategic-management concepts. Greater formality in applying the strategic-management process is usually positively associated with the cost, comprehensiveness, accuracy, and success of planning across all types and sizes of organizations.

## 2.2 McKinsey 7S Framework

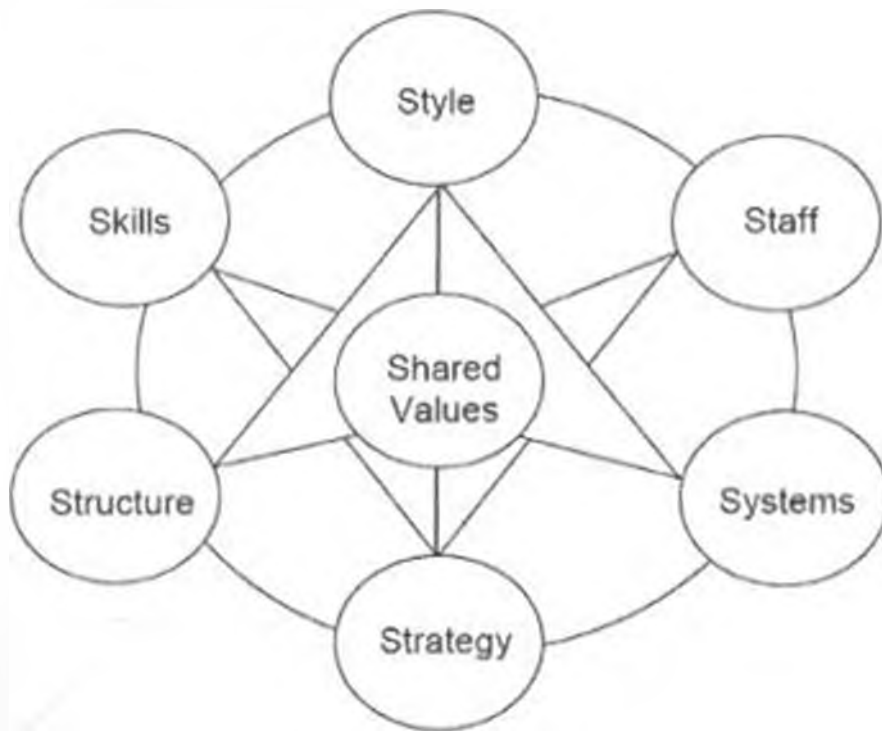
The 7-S Framework of McKinsey is a management model that describes 7 factors to organize a company in an holistic and effective way. Together these factors determine the way in which a corporation operates. Managers should take into account all seven of these factors, to be sure of successful implementation of a strategy. Large or small. They're all interdependent, so if you fail to pay proper attention to one of them, this may affect all others as well. On top of that, the relative importance of each factor may vary over time.

The 7-S Framework was first mentioned in "The Art Of Japanese Management" by Richard Pascale and Anthony Athos in 1981. They had been investigating how Japanese industry had been so successful. At around the same time that Tom Peters and Robert Waterman were exploring what made a company excellent. The Seven S model was born at a meeting of these four authors in 1978. It appeared also in "In Search of Excellence" by Peters and Waterman, and was taken up as a basic tool by the global management consultancy company McKinsey. Since then it is known as their 7-S model.

The McKinsey 7S model was named after a consulting company, McKinsey and Company, which has conducted applied research in business and industry (Pascale & Athos, 1981; Peters & Waterman, 1982). All of the authors worked as consultants at McKinsey and Company; in the 1980s, they used the model to analyze over 70 large organizations. The McKinsey 7S Framework was created as a recognizable and easily

remembered model in business. The seven variables, which the authors term "levers", all begin with the letter "S":

**Figure 2: McKinsey's 7S Model**



**Source:** Waterman, R. Jr., Peters, T. and Philips, J.R. (1980) "Structure Is Not Organization" in *Business Horizons*, Vol. 23(3), pp.14-26

These seven variables include structure, strategy, systems, skills, style, staff and shared values. Structure is defined as the skeleton of the organization or the organizational chart. The authors describe strategy as the plan or course of action in allocating resources to achieve identified goals over time. The systems are the routine processes and procedures followed within the organization. Staff are described in terms of personnel categories within the organization (e.g. engineers), whereas the skills variable refers to the capabilities of the staff within the organization as a whole. The way in which key managers behave in achieving organizational goals is considered to be the style variable; this variable is thought to encompass the cultural style of the organization. The shared values variable, originally termed superordinate goals, refers to the significant meanings

or guiding concepts that organizational members share (Peters and Waterman, 1982). The shape of the model (as shown in figure 2) was also designed to illustrate the interdependency of the variables. This is illustrated by the model also being termed as the "Managerial Molecule". While the authors thought that other variables existed within complex organizations, the variables represented in the model were considered to be of crucial importance to managers and practitioners (Peters and Waterman, 1982). The analysis of several organizations using the model revealed that American companies tend to focus on those variables which they feel they can change (e.g. structure, strategy and systems) while neglecting the other variables. These other variables (e.g. skills, style, staff and shared values) are considered to be "soft" variables. Japanese and a few excellent American companies are reportedly successful at linking their structure, strategy and systems with the soft variables. The authors have concluded that a company cannot merely change one or two variables to change the whole organization. For long-term benefit, they feel that the variables should be changed to become more congruent as a system. The external environment is not mentioned in the McKinsey 7S Framework, although the authors do acknowledge that other variables exist and that they depict only the most crucial variables in the model. While alluded to in their discussion of the model, the notion of performance or effectiveness is not made explicit in the model

### **2.3 Strategy Implementation process**

Strategic implementation is one of the components of strategic management. It is defined as a set of decisions and actions that results in the formulation and implementation of long-term plans designed to achieve organizational objectives (Pearce and Robinson, 2004). Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant systems (Bryson, 1995). Strategy implementation is concerned with both planning on how the choice of strategy can be put into effect, and managing the changes required. Management issues to strategy implementation include establishing annual objectives, devising policies, allocating resources, altering an existing organization structure, restructuring and re-engineering, revising reward and incentive plans, minimizing resistance to change, matching managers with strategy, developing a strategy supportive



culture, developing an effective human resource function and if necessary downsizing (David, 1997).

Aosa (1992) noted that once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. Hunger and Wheelen (1995) also noted that an excellent implementation plan will not cause the success of an appropriate strategy, but can also rescue an appropriate strategy. The implementation process of a strategy typically impacts every part of the organization's structure, from the biggest organizational unit to the smallest frontline work group (Thomson and Strickland 1997). They point that every manager has to think through the question "what has to be done in my area to implement our part of strategic plan and what should I do to get this things accomplished." All managers therefore become strategic implementers in their area of authority and responsibility, and all employees should be involved.

Aaltonen and Ikavalko (2002) argued that transforming strategies into actions is a far more complex and difficult task similarly, David (1997) pointed out that it is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation). Implementation of strategy does not therefore automatically follow strategy formulation; it exhibits its own resistance, which can invalidate the planning efforts (Ansoff and McDonnell, 1990). Bryson (1995) asserted that the earlier steps in the strategic management process are designed to ensure as much as possible that the adopted strategies and plans does not contain any major flaws, but is almost inconceivable that some important difficulties will not arise as strategies arise into practice. Inadequate planning and communication are two major obstacles to successful implementation of strategies as observed by Alexander (1985). Thomson and Strickland (1997) stated that the challenge to strategy implementation is to create a series of tight fits between strategy and budgetary allocation, strategy and the organizations competences, capabilities and structure, strategy and policy, between strategy and internal support systems, between strategy and the reward structure and between strategy and the corporate culture.

According to Thomson and Strickland (1996), there are no 10-step checklists, no proven parts and few concrete guidelines for tackling the job. Strategy implementation is the least chartered, most open-ended part of the strategic management. The best evidence of what to do or not to do come from personal experiences or even case studies, and the wisdom they yield is inconsistent. What some managers have tried successfully may be found lacking by others. This is because some managers are more effective than others in employing various recommended approaches to organizational change. In addition each instance of strategy implementation takes place in a different organizational context. Different business practices and competitive circumstances work environments and cultures, policies, compensation incentives, mixes of personalities and organizational histories require a customized approach to and a strategy implementation- one based on individual situations and circumstances, the implementation best judgment, and his ability to use particular change techniques proficiently.

Strategy implementation includes consideration of who will be responsible for strategy implementation; the most suitable organizational structure what should support the implementation of strategy (Lynch, 2000), the need to adopt the system used to manage the organization (Johnson and Scholes, 2004), the key tasks to be carried out and desirable changes in the resource mix of the organization as well as the mandate of each department in the organization and the information as well as the mandate of each department in the organization and information systems to be put in place to monitor progress and resource planning (Pearce and Robinson, 2004)

Implementation is successful if the company achieves its strategic objectives and targeted levels of financial performance. What makes it too demanding is the wide sweep of the managerial activities that have to be attended to the many ways managers can tackle each activity, the skill that it takes to get a variety of initiatives launched and moving, and the resistance to the change that has to be overcome (Thomson and Strickland, 2003). Alexander (1985) identifies inadequate planning and communication a two major obstacles to successful implementation of strategies. Others are effective co-ordination of implementation activities, insufficient capabilities of employees, inadequate training given to lower level employees, lack of clear responsibility being fixed for

implementation and lack of support from other levels of management. (Al-Ghamdi, 1998, Okumus, 2003, Sterling 2003, Awino 2001, and Koske, 2003)

## **2.4 Challenges of Strategy Implementation**

Challenges that occur during implementation process of a strategy are an important area of research because even the best strategy would be ineffective if not implemented successfully. Despite the fact that challenges to successful strategy implementation have not been widely investigated, there are some issues that have surfaced in many studies (Muthuiya, 2004). The most important problem experienced in strategy implementation in many cases is the lack of sufficient communication. Aaltonen and Ikavalko (2002) state that the amount of strategic communication in most organizations is large with both written and oral communication being used in form of top down communications. However, a great amount of information does not guarantee understanding and there is still much to be done in the field of communicating strategies. Communication should be two-way so that it can provide information to improve understanding and responsibility and motivate staff. Also they argue that communication should not be seen as a once-off activity throughout the implementation process. In many cases it is not so and therefore communication still remains a challenge to strategy implantation process.

According to Johnson and Scholes (2004) the implementation of appropriate strategies remains one of the most difficult areas of management. Considerable though, energy and resources is given over to devising a strategic plan. It is the fine detail of the plan that attention turns to when things go wrong. Mintzberg (1994) noted that the plan, rather than the implementation comes in for scrutiny, because it is less problematic to analyze. Perhaps this is because, whereas the plan can be devised under pollution-free, almost laboratory conditions, the working out of the plan takes place in the real world infected with real world variables (Porter, 1996). But the whole point of a strategy is that it will be implemented and implemented successfully.

Al-Ghamdi, (1998) identified barriers to strategy implementation which include; competing activities that distract attention from implementing the decision; changes in

responsibilities of key employees not clearly defined; key formulators of the strategic decision not playing active role in implementation; problems requiring top management involvement not communicated early enough; key implementation task and activities not sufficiently defined; information systems used to monitor implementation are inadequate; overall goals not sufficiently understood by employees; uncontrollable factors in the external environment; surfacing of major problems which had not been identified earlier, advocates and supporters of the strategic decision leaving the organization during implementation and implementation taking more time than originally allocated. Meldrum and Atkinson, (1998) identified two problems of implementation; a flawed vision of what it means to be in a strategic position within an organization; and a myopic view of what it meant to be in a strategic position within an organization; and a myopic view of what is needed for successful management of operational tasks and projects within a strategic brief.

According to Pearce and Robinson, (2004) challenges can arise when attempts are made to implement strategy. These challenges may arise from external or internal sources. They are classified in the following categories. First, is poor strategy, due to number of reasons, managers may have selected inappropriate strategy. Implementing such a strategy therefore becomes a futile exercise. Second is poor implementation. While the strategy selected may be sound, implementation procedure can be flawed. Here again, efforts to execute strategy are impaired. Third, is failure to couple strategy development and implementation. The management and all staff need to be involved in the strategy formulation so that during implementation every one is aware of the strategic direction that the organization is taking.

Thomson and Strickland, (1997) states that strategy implementation challenge is to create a series of the tight fits between strategy and organization's competencies, capability and structure, between strategy and internal support system; between strategy and reward structure and between strategy and corporate culture. The problem of strategy is implementation relate to situation or processes that are unique to a particular organization. Muthuiya, (2004) states that the key decision makers should therefore pay

regular attention to the implementation process in order to focus on any difficulties that may arise and how to address them.

Studies by Okumus, (2003) found that the main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from low levels and lack of poor planning activities. Freedman (2003) lists out a number of implementation pitfalls such as strategic inertia, lack of stakeholder commitment, strategic drift, lack of stakeholder commitment, strategic dilution failure to understand progress, initiative fatigue, impatience, and not celebrating success.

Sterling, (2003) identified reasons why strategies fail among them lack of senior management support, effective competitor responses to strategy application of insufficient resources; failure by-in, understanding and/or communication; timeliness and distinctiveness; lack of focus and had strategy poorly conceived business models. Sometimes strategies fail because of a misunderstanding of how demand would be met in the market. Awino, (2001) identified four problem areas affecting successful strategy implementation. She cite lack of fit between strategy and structure; inadequate information and communication systems; and failure to impart new skills Koske (2003) observes that there are many organizational characteristics, which not to constrain strategy implementation resource allocation; match between structures with strategy; linking performance and pay to strategies; and creating strategy-supportive culture.

Cultural impact underestimation is yet another challenge to strategy implementation. The implementation of a strategy often encounters rough going because of deep-rooted cultural biases. It causes resistance to implementation of new strategies especially in organizations with defender cultures. This is because they see change as threatening and tend to favour status quo. It is the strategy maker's responsibility to choose a strategy that is compatible with the unchangeable part of prevailing corporate culture. Creating an organization's culture, which is fully harmonized with strategic plan, offers a strong challenge to the strategy implementer's leadership abilities. Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organizational resistance to change and de-motivation, which can in turn frustrate the strategy

implementation. Resource insufficiency is another common strategy implementation challenge. David (1997) argues that allocating resources to particular divisions and departments does not mean that strategies will be successfully implemented. This is because a number of factors commonly prohibit effective resource allocation. These include overprotection of resources, too great emphasis on short-run financial criteria organizational policies, vague strategy targets reluctant to take risks and lack of sufficient knowledge. Also established organizations may experience changes in the business environment that can make a large part of their resources base redundant resources, they may be unable to free sufficient funds to invest in the new resources that are needed and their cost base will be too high (Johnson and Scholes. (2004)

Organizational politics is another challenge to strategy implementation. Organization politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interest (Hill and Jones, 1999). It is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power. Top-level managers constantly come into conflict over what correct policy decisions would be and power struggles and coalition building is a major part of strategic decision making. In this instance, the challenge organizations face is that the internal structure of power always lags behind changes in the environment because in general, the environment changes faster than the organization can respond.

Whilst the strategy should be chosen in way that it fits the organization structure the process of matching structure to strategy is complex (Byars, 1991). The structure that served the organization well at a certain size may no longer be appropriate for its new or planned size. The existing structures and processes in the organization support the current ways of doing things. If the strategy indicates that the organization need to behave in different ways there is likely to be problems should the existing structures be used to implement the changes (Campbell et al; 2002). The current structures may as well distort and dilute the intended strategy to the point where no discernible change takes place. According to McCarthy et al (1996), creating that structure and the attendance behaviour changes is a formidable challenge. The fundamental challenge for manager is the

selection of the organization structure and controls that will implement the chosen strategies effectively.

Changes do not implement themselves and it is only people that make them happen (Bryson, 1995). Selecting people for key positions by putting a strong management team with the right personnel chemistry and mix of skills is one of the first strategy implementation steps (Thomson and Strickland, 1997). They point out that assembling a capable team is one of the cornerstones of the organization-building tasks. Strategy implementation must determine the kind of core management team they need to execute the strategy and then find the right people to fill each slot. Staffing issues can involve new people with new skills (Hunger and Wheelen, 1995). Bryson (1995) observes that people's intellect, creativity, skills, experience and commitments are necessary towards effective implementation. However, selecting able people for key position remains a challenge to many organizations.

## **2.5 Effective Strategy Implementation**

Strategy implementation takes place as series of steps, programs, investments and moves that occur over an extended period of time. Special programs are undertaken. Functional areas initiate strategy related activities. Key people are added or reassigned. Resources are mobilized. In other words, managers implement strategy by converting broad plans into concrete, incremental actions and results of specific units and individuals.

The tools of operationalizing and controlling the strategy signal an important phase in the process translating strategic thought into strategic action. Annual objectives, functional strategies, and specific policies provide important means of communicating what must be done to implement the overall strategy. By translating the long-term into short-term guides to action, they make the strategy operational (Pearce and Robinson, 2004). Strategy can be successfully implemented through established annual objectives. These objectives serve as guidelines for actions, directing and channelling efforts and activities of organizational members. They also provide a source of legitimacy in an enterprise by justifying activities to stakeholders (Alexander, 1985). They serve as

standards of performance and as such, give incentives for managers and employees to perform. Annual objectives provide bases for organizational design.

According to David (1997), annual objectives are essential mechanisms for evaluating managers; are the major instruments for monitoring progress towards achieving long-term objectives; and they establish organizational, divisional and departmental priorities. Annual objectives translate long-range aspiration into the year's target. If well developed, these objectives provide clarity, a powerful motivator and a facilitator of effective strategy implementation (Pearce and Robinson, 2004) annual objectives add breadth and specify in identifying what must be accomplished and achieve long-term objectives. Annual objectives should be consistent across hierarchical levels of management and form a network of supportive aims. They should be measurable, consistent, reasonable, challenging, clear, and communicated throughout the organization characterized by commensurate rewards and sanctions (Bonoma, 1984). They should be compatible with employees and managers values and should be supported by clearly stated policies.

In addition, strategies can successfully implemented by operating along organizational policies. These are specific guidelines, methods, procedures, rules, forms and administrative practices established to support and encourage work towards stated goals. (David, 1997). Policies are broad, precedent-setting decisions that guide or substitute for repetitive managerial decision-making and therefore are directives designed to guide the thinking, dedications, and actions of managers and their subordinate in implementing a firm's strategy. Policies set boundaries, constraints and limits on the kind of administrative actions that can be taken to reward and sanction behaviour, they clarify what can and can not be done in pursuing an organization's objectives (Galbraith and Nathanson, 1978). Policies let both employees and managers know what is expected of them, thereby increasing the likelihood that strategies will be implemented successfully. Whatever their slope and form, policies serve as a mechanism for implementing strategies and obtaining objectives, they represent the means for carrying out strategic decisions and hence should be stated in writing whenever possible (Hussy, 1988)



Functional strategies are another successful strategy implementation. A functional area is where goods and services are produced, customer orders are obtained, new products are designed, and where employees are trained. Functional activities are the short-term activity that each functional area within a firm must undertake in order to implement the grand strategy. They must be consistent with long-term and grand objectives (Pearce and Robinson 2004). Aosa (1992) noted that functional level strategies primarily focus on achieving maximum use of resources attaining maximum resources productivity. As Hax and Majluf (1996) noted, functional strategies address issues regarding the coordination and integration of activities within a single function.

According to Pearce and Robinson (2004), implementation control is the type of strategic control that must be exercised as those events unfold. Implementation control is designed to assess whether the overall strategy should be changed in light of the results associated with the incremental actions that implement the overall strategy.

The controls are designed to meet top managements needs to track the strategy as it is being implemented, detect underlying problems, provide solutions to the problems, and make necessary adjustments. These strategic controls are linked to the environmental assumptions and key operating requirements necessary for successful strategy implementations (Pearce and Robinson, 2004). Strategic controls are intended to steer the company towards long-term strategic goals.

According to Thomson and Strickland (2003), solidifying organizational commitment and putting the strategic plan into place can be achieved through motivation, incentives and rewarding of good performance. This involves creatively using the standard reward and punishment mechanisms (salary raises, bonuses, fringe benefits, promotions, praise, recognition and constructive criticism). This aims to inspire employees and give giving them a sense of ownership in the strategy and a commitment to make it work. Motivation is key to obtaining the necessary commitment from those carrying out the strategies and its related enabling plans.

Although annual objectives, specific policies and functional strategies provide important means of communicating what must be done to implement the firm's strategy, more is needed to implement that strategy successfully (Pearce and Robinson 2004). While organizations and groups may be assumed as taking strategic actions, it is individuals who ultimately, in practical terms take action and are responsible for driving an organization or group towards objectives.

## **2.6 Factors that Influence Strategy Implementation**

While implementing strategy is such an important activity, it is not easy. Many excellent strategies fail when attempts to implement them are made (David, 1997). The implementation phase involves identifying the required resources and putting into place the necessary organization changes.

A key aspect of implementing strategy is the institutionalization of the strategy so that it permeates daily decisions and action in a manner consistent with long-term strategic success. According to Pearce and Robinson (2004) four fundamental elements must be managed to fit a strategy if the strategy is to be effectively institutionalized: Organizational structure, leadership, culture and rewards. It is important that company energies and efforts flow in the direction of strategy execution. The more this is the case, the more that strategy implementation stays on track (Johnson and Scholes, 2004).

It is of critical importance that a company's daily activities and work efforts directly relate to accomplishing the strategic plan. It will be impossible to implement strategies if this link is not made. In order to archive such a link, it is necessary that the company's strategy is in line with several strategy critical components in the company. These components include structure, leadership, culture, resources and support systems, and policies.

### **2.6.1 Strategy and Structure**

An organizational structure is the formal framework by which jobs tasks are divided, grouped and coordinated (Robins and Coulter, 2002). Successfully implementation depends in large part on the firm's organization structure. The structure identifies the key activities within the firm and manner in which they will be coordinated to achieve the firm's strategic purpose.

The structure of a company should be consistent with the strategy being implemented. Changes in the company's strategy bring about internal problems which require a new structure if the strategy has to be successfully implemented. The choice of company structure does make a difference in how a company performs. Not all forms of company structure are equally supportive in implementing a given strategy. (Pearce and Robinson, 2004)

The structural design of a given company helps people pull together in their activities that promote effective strategy implementation. According to Robins and Coulter (2002) an inconsistency between structure and strategy will lead to disorder, friction and performance within the organization.

According to Kariuki (2004) organizations implement their strategies through their organizational structures. He found out that the positioning of the function in the organizational structure is equally important as it sets more focus on key functions whose performance is critical to the success of the business strategy and institutionalizes the decision making of the heads of these functions. When the business strategy changes, organization structure is received in light of the changes in the strategy to maintain the relevance of the structure

### **2.6.2 Strategy and Leadership**

Leadership is the dynamic process at work in group whereby one individual over a particular period of time, and a particular organizational context, influences the other

Group members to commit themselves freely to the achievement of group tasks or goals (Cole, 2002). Leader is the force that makes things to happen.

Leaders give the direction of the organization thorough a vision of the whole picture of the organization. Ansoff and McDonnel (1990) notes that a strategic leader brings into play the critical managerial issues of how to achieve the targeted results in light of the organization's situation and prospects. The top management needs to give direction in the strategy implementation. Their motivation and commitment to the strategy greatly enhances successful implementation.

Organizational leadership is essential to effective strategy implementation. Pearce and Robinson (2004) say that the chief Executive Officer plays a key role in this regard. Assignment of key managers particularly within the top management team is an important factor of organizational leadership. Deciding whether to promote insiders or hire outsiders is often a central leadership issue in strategy implementation. This decision should be made carefully in a manner that will best institutionalize the new strategy.

According to Koske (2003), leadership is considered to be one of the most important elements affecting the organizational performance. The leadership of the organization should be at the forefront in providing vision, initiative, motivation and inspiration. The management should activate team spirit and act as a catalyst in the whole strategy implementation process. As much as possible, the leadership of the organization should fill relevant position with qualified people committed to the change efforts (Bryson 1995)

According to Hill and Jones (2001) all members of the organization need to focus their effort in the same direction. Such unity of direction is critical for successful strategy implementation. The chief executive should be at the forefront in providing leadership. He should provide a vision, initiative, motivation and inspiration. He should cultivate team spirit and act as catalyst in the whole strategy implementation process.

### **2.6.3 Strategy and Culture**

Organizational culture refers to the set of assumption that members of an organization share in common (Pearce and Robinson, 2004). Culture is a system of shared meaning and belief held by organizational members that determines in large degree on how they act (Robins and Coulter, 2002). An organization culture provides the social context in which an organization performs its work and interaction Pearce and Robinson (2004) say that every organization has its own culture.

Aosa (1992) stated that it is important that the culture of an organization be compatible with the strategy being implemented. Corporate culture refers to the set of common values and belief that members of a certain organization share in common. Corporate culture gives employees a sense of how to behave and act. When culture influences actions of employees to support current strategy, implementation is strengthened.

The managers are the ones who developed the strategic plan. It is part of their leadership task once strategy has been developed they being the company's culture into alignment with strategy and keep it there. Failure to do this can lead to high organizational resistance to change and de-motivation which in turn can frustrate the strategy implementation effort. Muthuiya (2004) noted that when culture influences the actions of the employees to support the current strategy, implementation is strengthen,

### **2.6.4 Strategy and Resources**

David (2003) stated that it should be possible to implement the chosen strategy with the resources available. These resources include the physical, financial, technological and human resources. It is not possible to implement a strategy which requires more resources than can be made available by the company. Too little resources will tend to stifle the ability of the company to carry out the strategic plan. Too much funding wastes company resources and impairs financial performance (Porter, 1985).

Budgetary allocations indicate that management is committed to the strategic plan. The project and programmes provided for in the budget should drive from the company's strategic plan. The activities funded therefore reflect the strategic thrust of the company. There are many routine activities that are performed in a company to keep it running smoothly. These activities need to be carried out efficiently. They too reinforce the implementation of strategy.

As Harvey (1998) noted, the operating level must have the resources needed to carry out each part of the strategic plan. It should therefore be possible to implement a strategy with the resources available and it is not possible to implement a strategy which requires more resources than is available.

### **2.6.5 Strategy and Policies**

Policies refer to the specific guidelines, methods, procedure, rules, forms and administrative practices established to support and encourage work towards stated goals (David, 1997). Policies communicate specific guidelines to action. They also assist in controlling organizations activities. Changes in strategy generally call for some changes in how internal activities are conducted and administered. The process of changing from old ways to the new ways has to be initiated and managed. Johnson and Scholes (2002) notes that here may occur resistance to such changes and it needs to be managed.

The role of new and revised policies is to establish standard operating procedures which will facilitate implementation of strategy and counteracts any tendencies of the organization to resist or reject the chosen strategy (Johnson and Scholes, 2004). Managers need to be inventive in establishing policies that can supply vital support to a company's strategic plan. According to Hill and Jones (2001) well connected policies help enforce strategy implementation by channelling action, behaviour, decisions and practices which promote strategy accomplishment. Policies should routinely be examined to be aligned to the current strategy.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Design**

This study was conducted through a case study design. This design was considered appropriate, as opposed to cross-sectional survey, because the study involved an in-depth investigation and understanding of the challenges of strategy implementation at Kenya Revenue Authority. According to Mugenda, (2003), a case study is an in-depth investigation of an individual, group, institution or phenomenon. Also, Kothari, (2002) stated that, a case study involves a complete investigation of an institution or group and embraces depth rather than breath of a study.

### **3.2 Data Collection**

Primary data was collected from specific individuals in the selected departments using personal interview guide (see Appendix I). The target respondents of the study were drawn from individuals considered to be playing a major role in implementing chosen strategies. The chosen respondents, therefore, consisted of Chief Executive Officer (CEO), Commissioners, heads of Department and persons who were directly responsible for implementing strategic plans. The researcher personally interviewed the respondents (interviewees) so as to have an opportunity to clarify issues and gain any new relevant information for the success of the study.

### **3.3 Data Analysis**

Data collected were analysed using content analysis. This is a set of procedures for collecting and organizing nonstructured information into a standardised format that allows one to make inferences about the research objective(s). The data were solicited from the respondents and its analysis involved comparing them with the theoretical approaches cited in the literature review in an attempt to get more revelation on the challenges of strategy implementation at KRA

## **CHAPTER FOUR: FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter covers data analysis, research findings and discussions on the study results. The data collected from primary sources has been reviewed to determine and validate its adequacy, credibility and consistency before being summarized. Specifically, this section describe on how KRA conducts and handle strategy implementation processes, discusses the findings on the challenges faced during strategy implementation and measures taken by the Authority to cope with these challenges as and when they arise.

The summanscd data has been analysed using qualitative data analysis mainly involving making inferences by systematically and objectively identifying and specifying characteristics of message and relating these to the study themes. Apart from summarising the data, this section aims at answering the critical research questions which was to identify the challenges experienced at KRA in Strategy implementation and what measures has KRA taken to cope with these challenges?

### **4.2. Strategy Implementation Process**

This study attempted to find out how KRA implements its documented strategies stipulated in its corporate plan. In order to achieve this objective, the researcher studied the practices adopted by KRA management to do so. The findings of this study indicate that KRA implements strategies by developing planning and control systems, setting performance targets on weckly, monthly and annual basis and direct supervision of the implementation process. This finding is in agreement with the findings of other past researchers. According to David (1997), strategy implementation is concerned with both planning on how the choice of strategy can be put into effect, and managing the changes required. According to Aosa (1992), he noted that once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. The study established that the Authority has spelt out in its 3 year corporate



plan the major strategic thrusts and action plans formulated for each specific department to pursue. The plan provides broad guidelines from which each department draws its strategic plan and actions plans which upon implementation lead to the attainment of the overall company objectives and goals. In translating strategies and action into action and then into acceptable results, the study established that choice of an implementation practice is independent on the area in which the implementation activities are undertaken. To attain this, direct supervision was employed which involves the direct control of strategic decisions by one or a few individuals, mostly the chief executive officer for the direction in charge of the various departments in the Authority. A variation of direct supervision through managing by walking around (MBWA) is adopted by managers to oversee the activities of the department's level managers and those further below. Most managers adopt direct supervision as a participative approach to strategy implementation. The supervisory exercise is carried out in line with the reporting lines. This finding is similar to what Thomson and Strickland (1997) stated in his book that every manager has to think through the question "what has to be done in my area to implement our part of strategic plan and what should I do to get things accomplished". All managers, therefore, become strategic implementers in their area of Authority and responsibility, and all employees should be involved.

Strategy implementation at KRA is also done through the development of planning and control system. The study established that each department does this differently depending on the area of concerned. The departmental head and marketing managers develop plans, delegate to the lower level, and obtain feedback from them which acts as a control mechanism upon which implementation results is measured. This finding is in agreement with other findings of past researchers. According to Pearce and Robinson (2004), the tools of operationalizing and controlling the strategy signal and important phase in the process translating strategic thought into strategic action. Annual objectives, functional strategies, and specific policies provide important means of communicating what must be done to implement the overall strategy. By translating the long-term into short-term guides to action, they make the strategy operational. Strategy can be successfully implemented through established annual objectives. These objectives serve as guidelines for actions, directing and channelling efforts and activities of organizational

members. They also provide a source of legitimacy in an enterprise by justifying activities to stakeholders (Alexander, 1985). They serve as standards of performance and as such, give incentives for managers and employees to perform. Annual objectives provide bases for organizational design.

The Authority sets performance targets to implement its strategies. The study found out that the targets are set at all levels differently in magnitude depending on the level. KRA in consultation with the respective departments sets targets for each division. The divisions then set for their respective staffs. The targets are set in light of what a department or individual has been able to achieve in the past. The targets set to act as motivational tools to implement the strategies within the set timeframes because some attract special incentives. The study further established that successful strategy implementation require adequate coordination and collaboration of the implementation activities within the departments. Managers make it a culture to explain new strategic moves to their junior highlighting the benefits that will be accrued. These findings are in agreement with other findings of past researchers. According to David (1997), for successful implementation of strategies, there is need to mobilise employees and managers to put formulated strategies into action. He said successful strategy implementation hinges upon managers' ability to motivate employees, which is more an art than a science. Strategies formulated but not implemented serve no useful purpose. Interpersonal skills are especially critical for successful strategy implementation. Strategy-implementation activities affect all employees and managers in an organization. Every division and department must decide on answers to questions such as "What must we do to implement our part of the organization's strategy?" and "How best can we get the job done?" The challenge of implementation is to stimulate managers and employees throughout an organization to work with pride and enthusiasm toward achieving stated objectives. Also, according to him, annual objectives are essential mechanisms for evaluating managers; are the major instruments for monitoring progress towards achieving long-term objectives; and they establish organizational, divisional and departmental priorities. Annual objectives translate long-range aspiration into the year's target. If well developed, these objectives provide clarity, a powerful, motivator and a facilitator of effective strategy implementation (Pearce and Robinson, 2004) annual

objectives add breadth and specify in identifying what must be accomplished and achieve long-term objectives. Annual objectives should be consistent across hierarchical levels of management and form a network of supportive aims. They should be measurable, consistent, reasonable, challenging, clear, and communicated throughout the organization characterized by commensurate rewards and sanctions (Bonoma, 1984). They should be compatible with employees and managers values and should be supported by clearly stated policies.

### **4.3 Challenges of strategy implementation at KRA**

The study established that challenges of strategy implementation at KRA came from either internal or external sources. Most of these challenges emanated from the management, staff, taxpayers and external stakeholders. This is because KRA operates in environment, which is very challenging and its operations revolve around the country's economy. This study found out to a large extent that the corporate strategy itself, organizational politics, structure and culture, government decisions, inadequate resources, inadequate communication, uncontrollable factors, resistant to change as the major challenges encountered during implementation of strategies at KRA.

The study established that the corporate strategy crafted was found to be partly inappropriate at the time of implementation because it was done without taking into consideration the stakeholder's resistance. For instance, there was a lot resistance when Electronic Tax Register (ETR) was introduced as a tool to assist taxpayers to improve record keeping and minimize theft by employees in the shops. Despite of this advantage, the traders and taxpayers fiercely opposed its introduction because of fear of unknown. As result, the corporate strategy was faulted by the key stakeholders not because it was not crafted properly, but because KRA did not involve them right from onset. Another example was the rejection of the launching of the Customs Business system dubbed Simba2005 by the taxpayer, business community and some pockets of employees across different cadres. The protesting external stakeholders took KRA to court but the Authority put up a spirited effort and won the case. Further, the study revealed that the Corporate Strategy was faulted by the emergent issues, which reflected the realities on

the ground and most cases these issues needed to be dealt with for the sake of successful implementation of the strategy and to achieve the overall objectives of the Authority and for the survival of the Authority. To illustrate this, the government introduced a 24-hour operation at the port of Kilindini, which necessitated the aligning of realities on the ground to the corporate strategy for the sake of successful implementation of strategy. As a result, the corporate strategy had to be updated in order for it to remain relevant to the overall corporate goals and objectives. These findings are in consistent to what Pearce and Robinson (2004) advanced in their book, that challenges can arise when attempts are made to implement strategy because of unpredictable reactions and happenings of the environment. According to Porter (1996), he said whereas the plan can be devised under pollution-free, almost laboratory conditions, the working out of the plan takes place in the real world infected with real world variables yet the whole point of strategy is that it will be implemented and implemented successfully come what may.

The study found out that the organizational structure of KRA has been changed three times to accommodate new strategies, since the 1999 when the first corporate plan was launched. The first corporate plan (1999/00-2001/2002) was being implemented under the tax based structure which was suitable then. This is a structure whereby each revenue department operates with some degree of autonomy and duplications of functions. For example, each department had four separate revenue payment points which was seen to be costly to the Authority. During, the second corporate plan (2002/03-004/05), the structure was again changed from tax based to functional based in order to support the strategy being implemented and aid in achieving the overall objectives. Further, during the third corporate strategy (2006/07-2008/09), structure was once more changed from functional to process based structures whereby all like functions across the departments were grouped together and supervised from a central point. The authority is currently piloting on the processed based structure when is implementing Integrated Tax Management System (ITMS) Project. This findings are similar to the findings arrived at by Kariuki (2004) in his research findings, which he stated that the organizations implement their strategies through their organizational structures. He found out that the positioning of the function in the organizational structure is equally important as it sets more focus on key functions whose performance is critical to the success of the business

strategy and institutionalizes the decision making of the heads of these functions. When the business strategy changes, organization structure is revised in light of the changes in the strategy to maintain the relevance of the structure. Other authors whose findings are similar to these findings are Pearce and Robinson (2004), who said that the structure of a company should be consistent with the strategy being implemented. Changes in the company's strategy bring about internal problems which require a new structure if the strategy has to be successfully implemented. The choice of company structure does make a difference in how a company performs. Not all forms of company structure are equally supportive in implementing a given strategy.

The Commissioner General (CG), who is the chief Executive Officer, was the sole sponsor of the implementation of the strategies. It was found that the CG provided the most needed guidance and direction to achieve the target results in light of the Authority's situation and prospects. He has made all members of the Authority to focus their efforts in the same direction and this unity of direction was important for successful strategy implementation. The CG provided motivation and commitment which assisted greatly in achieving effective strategy implementation. The CG in all instances sought to understand the strategy, believes in it and owns it up. To illustrate this, he personally went round the country sensitizing the all the staff on the strategies and the benefits which will be accrued, if those strategies are implemented successfully. In other words, the CG has been in the forefront in providing the initiatives, motivation and inspirations to all parties involved in the strategy implementation. He acted like a catalyst in the whole strategy implementation process in the Authority. For instance, in 2005, he made bold decision in launching and supervising the implementation of controversial Customs Business System dubbed Simba2005 and this instance he clearly demonstrated his total support. Initially, Customs automation project experienced numerous teething and technical problems which have since been rectified and the project is a success because of CG commitment. Another, showcase is the acquisition of an Integrated Tax Management where the CG has played a key role in its acquisition and he has even led a high powered delegation to supplier of the Software, in Chile, in South America to a negotiating table where a government-to-government deal was struck. This findings is similar to what Koske (2003) established in his research that organizational leadership is essential for

effective strategy implementation. According to him, leadership is considered to be one of the most important elements affecting the organizational performance. The leadership of the organization should be at the forefront in providing vision, initiative, motivation and inspiration. The management should activate team spirit and act as a catalyst in the whole strategy implementation process. As much as possible, the leadership of the organization should fill relevant position with qualified people committed to the change efforts (Bryson 1995). Further, this finding is supported by Pearce and Robinson (2004) in their book, which they said that the chief Executive Officer plays a key role in effective strategy implementation. Assignment of key managers particularly within the top management team is an important factor of organizational leadership. Deciding whether to promote insiders or hire outsiders is often a central leadership issue in strategy implementation. This decision should be made carefully in a manner that will best institutionalize the new strategy.

Organization culture is a company's ways of doing things. It constitutes norms, values and beliefs that are held over time in the course of doing business. Therefore the, match between strategy and culture is a crucial for successful implementation of strategy. The study aimed at establishing whether or not such a match exists. The study then, revealed that the employees are still operating using borrowed civil service culture which gives some tax collectors powers to make decisions in the course of their duties in total disregard on the new ways of doing things i.e. support strategy implementation. KRA was started in 1995 and it comprises of four revenue departments namely: VAT, Income Tax, Customs and Road Transport which were hived from the Ministry of Finance. The officers who were taken over from Treasury by KRA came along with their deep rooted civil service culture. For the last 13 years the way of doing things has been manifested among KRA staff. A mixture of values and beliefs that have been propagated over time by people who have had senior management positions for considerable long period of time. These aspects have been installed into the other original members and define "the way of doing things around here" hence the original culture. The study found out that some aspects of culture promote negative attitude among some staff towards their deployment. For instance, the culture seeking approval on every other decision to be taken through a rigid procedures followed (bureaucracy) stood out conspicuously. It was

establish that most of these aspects emanated from the company's organization structure. As a result of this deep rooted culture, some employees have not been supportive on modern strategies and new ways of doing business. They preferred to remain in their comfort zones and maintain status quo for fear of the unknown. They believed that by reducing contact with taxpayer, they will miss to undertake their lucrative corrupt practices and bribes extortion. Their negative habits, attitudes and behaviour towards adopting new ways of doing things became a major hindrance to strategy implementation and as result the Authority has been constantly trying to make culture compatible with the strategies being implemented. In other words, this negative behaviour led to resistance to change and de-motivation which in turn frustrated the strategy implementation effort. For instance, some employees resisted the adoption of the Electronic Cargo by showing some reluctance in embracing it. This was interpreted by the CG as sabotage because the staff concern preferred to maintain the stratus quo because they believed they may lose their jobs in the process and in some instances claimed the E-cargo will never work no matter how hard one try. These findings are in agreement with earlier findings by past project researchers. For instance, according to Aosa (1992), he stated that it is important that the culture of an organization be compatible with the strategy being implemented. Corporate culture gives employees a sense of how to behave and act. When culture influences actions of employees to support current strategy, implementation is strengthened. He further observed that lack of compatibility between strategy and culture can lead to high organizational resistance to change and de-motivation, which can in turn frustrate the strategy implementation.

The study found out that the management of the Authority provided for budgetary allocation for strategy implementation as spelt out in the corporate plan thus signifying their commitments in ensuring for their success. The activities funded, therefore, reflected the strategic thrust of the Authority. However, the available resources were inadequate in some instances forcing projects to be rolled over to the next financial year. The Authority had an ambitious plan yet it was not possible to implement strategies which require more resources than can be made available. It was noted that too little resources stifled the ability to carry out the strategic plan to fullest. It was noticed that the 1.6% agency fees on the total revenue collected in one year are only meant to meet

capital and recurrent expenditure and not the development projects are in most cases costly. As result, inadequate funding, staffing, office spaces, furniture and equipment and inadequate skilled manpower were experienced because it was found that Authority rely on funding from treasury and donor funding with conditionalities difficult to meet. For instances, there were some cases of inadequate funding for reforms programmes, which forced the Authority to implement them in phases. For example, Customs business System, dubbed Simba, was implemented in 2005 and the Integrated Tax Management System for Domestic Taxes department was deferred to commence in following year 2007. Integrated Road transport System is yet to commence because of budgetary constraints. Also, the strategies could not be implemented in stations where there was neither electricity supply nor the generators to supply power to facilitate automation projects as a way of implementing the strategies to achieve the overall goal of the Authority. This finding is in agreement with the past findings of similar research projects whose outcomes showed that it is not possible to implement a strategy which requires more resources than can be made available by the company. According to Harvey (1998), he stated that there must be enough resources to carry out each part of the strategic plan. It should therefore be possible to implement a strategy with the resources available and it is not possible to implement a strategy which requires more resources than is available.

The study found out the policies, which served as standard operating procedures in facilitating implementation of strategy, were found to be outdated and needed to be revised to help enforce strategy implementation by channelling action, behaviour, decisions and practices which promote strategy accomplishment. For instances, there was need to review the Department Instructions (DI) and operational manuals which were found to be outdated and hence could not adequately support the strategy implementation and new ways of doing things. For instance, Customs was forced to review its DIs which involved the reduction of forms and forming a Single Entry Document (SED), dropped or merged some steps in the Import processing. The manual entry lodgement was replaced by electronic lodgement of entries and revenue was paid through the banks and not through localised cash offices. Further, business process re-engineering was conducted to modernize and optimise the business operations process and hence make them suitable for automation. In order for the policies to serve the Authority adequately, they should



routinely be examined to be aligned to the current strategies on a continuous basis. These new ways of doing things were incorporated in the new standard operating procedures. The finding suggests that policies, whether new or revised play a major role in supporting strategy implementation because it assist in controlling organizations activities and counteracts any tendencies of the organization to resist or reject the chosen strategy. According to Hill and Jones (2001), well connected policies help enforce strategy implementation by channelling action, behaviour, decisions and practices which promote strategy accomplishment. Policies should routinely be examined to be aligned to the current strategy.

The study found out that to a larger extent there was lack of sufficient communication on how the strategy was implemented among the key stakeholders. Both written and oral communications were used in the form of top down communication. However, a great amount of information did not filter to employee and hence the understanding was not guaranteed. This essentially meant that there is still a lot to be done in the style and methods of communicating strategies to intended recipients. The findings showed that only the middle and top management, and not the lower cadre, received and understood the strategies. This implied that the lower cadre are not adequately communicated to, partly due to lack of a comprehensive communication strategy. Therefore, strategy implementation exercise are rarely not known at lower levels, because of communication breakdown between head office and operational units. The management failed to notice that communication should be used as a two-way so that it can provide information for improving the understanding, knowing the staff responsibilities and motivate staff. In this case, communication was used as a once-off activity, yet it should be a continuous process in the entire implementation process and that is why communication remained a challenge in the strategy implementation process at Authority. This finding are similar to other findings by past researchers, which cited lack of proper communication policy as a major challenge to strategy implementation because not everybody is aware of the strategies being implemented due to lack of proper mode of communication. According to Muthuya (2004), the most important problem experienced in strategy implementation in many cases is the lack of sufficient communication to all relevant parties.

The study revealed that there were some uncontrollable factors in the external environment which adversely impacted on strategy implementation. These were factors surfaced during strategy implementation period and where not earlier identified. For instance, the post-elections violence which took place at the beginning of the year 2008, destabilized strategy implementers, mainly those who were based in the Rift Valley and Nyanza provinces were hurriedly transferred to safer places thus disrupting strategy implementation. Also, the general elections produced new generation of leadership which issued new policies thus affecting the on going strategies at Authority, which had support of the previous government officials. For instance, the new team officials at Treasury stopped temporarily the implementation of some reform automation programmes; because they wanted to understand and own up the reform programmes before allowing the Authority to proceed with. This caused a snarl up the strategy implementation and the Authority had to take quick actions immediately by explaining the expected benefits of the reforming and modernizing of Tax Administration processes. Joint venture projects like Community Based System (CBS) have been dragging for sometimes now due to unresolved management issues, competing interests and capabilities among the participating parties. As result, this slowed down progress of the strategy implementation to a greater extent. The same problem was also noticed when working with other government agencies like Kenya Bureau of Standards (KEBS), Ministry of Works (MOW) dragged their feet on automation programmes because they have not embraced e-government. The fluctuations of the exchange rates with Kenya Shilling and United States Dollar (USD) affected the foreign payments to supplier of the application software because at the time of making financial proposal the exchange rate was lower, thus exaggerating payment because the exchange had shot up thus affecting adversely on the progress of ITMS project. This finding is similar to other findings established by past researchers. According to Al-Ghambri (1998), he identified many barriers to strategy implementation which included among others, the uncontrollable factors in the external environment and surfacing of major problems which had not been identified earlier and factored into the strategy.

The findings showed that there was a mixture of support and resistance among the management, staff and taxpayers. For instance, there was a lot support from the Chief

Executive Officer and most of the senior managers for strategy implementation. However, there were pockets of resistance from the rest of the staff who feared for unknown and uncertainty and preferred instead to maintain the status quo and continue to remain in their comfort zones. Some staff resisted because they doubted whether skills they had could match with skills requirements for the reform dispensation. The taxpayers and other traders resisted fiercely on the introduction of ETR Machines by holding street demonstrations to express their resistance. Some traders took KRA to court, to compel the Authority to stop implementing ETR. KRA won the court case and proceeded with its implementation. One of the senior staff was shown the door when they resisted the merger of Income Tax Department and Value Added Tax Department into one big Inland Revenue department called Domestic Taxes Department for fear of loss of jobs and probably some job positions could be rendered redundant. These findings are partly in agreement with the findings established by Okumus (2003) in his research study, which he found out that the main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from low levels and lack of poor planning activities. In the case of KRA, the chief Executive Office provided support to strategy implementation while the lower cadre did not provide 100% support as required. Freedman (2003) lists out a number of implementation pitfalls such as strategic inertia, lack of stakeholder commitment, strategic drift, lack of stakeholder commitment, strategic dilution failure to understand progress, initiative fatigue, impatience, and not celebrating success. Further, Sterling (2003), identified lack of senior management support as the main reason why strategies fail.

The study found out that organizational politics posed a challenge in strategy implementation because when the new CG joined KRA in 2003, staff re-aligning took place in line with the new thinking. Some pockets for power groups were created. Resistance from peers, seniors and juniors alike took place. Seniors felt undermined by the juniors, peers had rivalry among themselves and juniors got scared because they did not know where the organization was going. In some instances, some staff attempted to scuttle implementation by seeking help of influential politicians to bring down any proposal perceived to be a threat to their being. It was important to overcome this kind of resistance from powerful groups because they regarded the impending changes brought

about by the new strategy as a threat to their own power. Top-level managers constantly came into conflict over what correct policy decisions would be, power struggles and coalition building was a major part of strategic decision making. In this instance, the challenge authority faced was that the internal structure of power always lags behind the changes in the environment because the environment changes faster than the organization can respond. This finding is in agreement with some of the outcome of the findings of past researchers. According to Hill and Jones (1999), he stated that organization politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interests. It is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power. The challenge organizations face is that the internal structure of power always lags behind changes in the environment because in general, the environment changes faster than the organization can respond.

The study found that KRA has established itself as a learning organization and as such advocated building capacity in critical areas of strategy implementation. Therefore, whenever necessary the requisite skills were acquired at all cost to enable strategy implementers to proceed. For instance, it was identified that there was no skills on best practices on how to implement the best strategies and KRA took initiative to ensure that such kind skills were acquired by sending implementers to workshops and seminars. Other officers were sent for training on project management. Training and site visits were conducted to enable implementers to get exposed and acquire necessary skills on formulation of legislation and regulations to be used to run KRA operations effectively and efficiently. This finding is in consistent with outcome of some findings of past researchers. According to Bryson (1995), he stated that changes do not implement themselves and it is only people that make them happen. Also, Thomson and Strickland (1997) stated that selecting people for key positions by putting a strong management team with the right personnel chemistry and mix of skills is one of the first strategy implementation steps. The two pointed out that assembling a capable team is one of the cornerstones of the organization-building tasks. Strategy implementation must determine the kind of core management team they need to execute the strategy and then find the

right people to fill each slot. Staffing issues can involve new people with new skills (Hunger and Wheelen, 1995). Bryson (1995) observes that people's intellect, creativity, skills, experience and commitments are necessary towards effective implementation. However, selecting able people for key positions remains a challenge to many organizations.

The study found out that reward systems are not any way tied to the ability to implement strategies. KRA has implemented a reward system which is tied to the position and not to strategy implementation. The balance score card and performance contracts tools are used in determining the best performers in the Authority. KRA needs to understand that a properly designed reward system is a management's most powerful tool for mobilising commitment to successful strategy execution. The use of incentives and rewards is the single most powerful tool management has to win strong employee commitment to diligent, competent strategy execution. However, failure to use these tools wisely and powerfully weakens the entire strategy implementation process. KRA should come up with an effective and documented performance management system, which should be tightly tied with effective documented reward policy with reward structure linked explicitly and tightly to actual strategic performance. This finding is invariant with outcomes of findings of past researchers. For example, according to Thomson and Strickland (2003), solidifying organizational commitment and putting the strategic plan into place can be achieved through motivation, incentives and rewarding of good performance. This involves creatively using the standard reward and punishment mechanisms (salary raises, bonuses, fringe benefits, promotions, praise, recognition and constructive criticism). This aims to inspire employees and give them a sense of ownership in the strategy and a commitment to make it work. Motivation is key to obtaining the necessary commitment from those carrying out the strategies and its related enabling plans. This is not the case with KRA where reward system is only tied to the positions.

#### **4.4 Measures Taken To Cope With Challenges Faced In Strategy Implementation**

Although, the study found that strategy implementation faced quite a number of challenges at KRA, the Authority needed to be on course and ensure that overall objectives are achieved within the stipulated timeframes by instituting measures to cope with these challenges in good time.

The corporate strategy was almost rendered inappropriate by the emergent issues arising from the turbulent environment. These issues were identified as important and needed to be incorporated into strategy so the desired objectives are achieved. The Authority had to make strategy dynamic by accommodating these new ideas so that it remains in focus to attaining the ultimate goal. Therefore, the balanced score card was updated with these emergent issues and subsequently the performance contracts were amended to reflect these changes.

The study found that the organization structure was not compatible to the strategy and there was need to create a tight fit and match between strategy and structure of the organization, that is, the structure was made consistent with the strategy being implemented. It was clear that the inconsistency between structure and strategy led to disorder, friction and performance within the Authority. For instance, Customs Services Department created valuation division in the structure and elevated it to a level of Deputy Commissioner. Information and Communication Technology created a Helpdesk in their structure for the sake of improving on service delivery. Helpdesk is a single point of contact of receiving and dealing with all the requests from the customers and users of ICT services. Overallly, the Authority is currently changing its structure from functional to process based and it become apparent that the structures are dynamic and needs to be changed from time to support the strategy under implementation at any given time.

The study found out that the Authority's culture was in variant with strategy being implemented. In order to deal with incompatibility problem, the Authority constituted a change management team to organize for relevant training geared towards making the both internal and external stakeholders to accept impending changes. Training was

offered in change management process giving emphasis on the benefits which will be accrued, how to deal with resistance and how to accept change positively. The Authority, nominated change agents or champion from respective departments to conduct the training at the both corporate and departmental levels. These champions adopted an integrated training approach which entails sensitising all members' staff to accept change, tax administration principles, issues of integrity, attitudes and behavioural. In some instances, the Authority changed job titles from say Financial Controller to Senior Deputy Commissioner-Finance in an effort to harmonise and make everybody as equals and to enhance goal congruent among the staff.

The study found out resources available were not sufficient to fully implement the strategies especially for funds from donor agencies which are normally release with stringent conditionalities which are difficult to meet. When there is a shortfall of funds, the Authority has been requesting for supplementary budget from treasury, reallocates funds within the Authority, negotiate with treasury and with other development donor partners. Any strategy should be linked to budgets and the budgets should be used as a tool for control and resource allocation. The resources required for successful implementation of strategies should be readily available. These range from financial, material to human resources. Financial resources must be allocated to that effect. Enough staffs have to be deployed to fully carry out implementation activities. Resources should be allocated accordingly to key issues and priorities identified in the Authority.

The study found out the policies, which served as standard operating procedures in facilitating implementation of strategy, were found to be outdated and needed to be revised to help enforce strategy implementation. To resolve this, the Authority reviewed the Department Instructions (DI) and operational manuals, which were found to be outdated and hence could not adequately support the strategy implementation and hence new ways of doing things. For instance, Customs was forced to review its DIs to reflect new ways of doing things, which involved among other things, the reduction of forms and forming a single Entry document (C63), dropped or merged some steps in the Import processing. The manual entry lodgement was replaced by electronic lodgement of entries and even revenue was paid through the banks and these were incorporated in the new

standard operating procedures. Further, business process re-engineering was conducted to modernize operations business process and to make efficient and appropriate for automation. For the policies to serve Authority adequately, they should routinely be examined and be aligned to the current strategy on a continuous basis.

The study found that communication of the strategy to all staff for acceptability was not adequately done to the satisfactory of all. The Authority has embarked on developing a communication policy so that all future correspondence will be done properly and in the right manner. The piloting of this is being done in the ITMS project. Other methods devised by Authority for communicating strategy implementation is the use of collaboration software where messages can be sent and received via e-mail facility, use staff bulletin which are published quarterly, holding departmental meetings, organizing outdoor retreats for sharing and having a common understanding of the strategies, passing information through memos and circulars, develop procedure manual for specific functions and use radios, Television, newspapers, road shows and exhibition.

The study revealed that there were some uncountable factors in the external environment which surfaced during the planning period and where not earlier identified. To minimize their adverse effects, the authority decided to be involving the key stakeholder in the strategic management process to buy in and gain acceptance. It is also important to be involving the treasury, who is the principal partner of KRA, on major tax reform administration programmes.

Where resistance was experienced in strategy implementation, the Authority instituted measures to minimise them. The Authority has embraced the idea of involving key stakeholders at initial stages and during piloting of any new reform project, sensitizing all staff and stakeholders on the importance and benefits of strategies being implemented, conduct change management training programme, re-assure staff that reforms being undertaken will not render them jobless or retrenched. In extreme cases, the recalcitrant staff were either sacked or transferred to pave way for implementation reforms programmes.



There were some inadequate skills for successful strategy implementation and as such the Authority conducted training in deficiency areas like project management courses and merger management courses to enable the implementers to execute reforms projects successfully. Training and site visits were conducted to enable strategy implementers to acquire necessary skills on formulation of legislation, regulations and Acts and to run the merged of VAT and Income Tax into one Inland Revenue called Domestic Taxes Department. Also, the Authority sponsored staff for training in both academic and professional in an attempt to build appropriate capacity to handle strategy implementation and to match skills with jobs. The Authority further conducted awareness training on revenue acts, on job training and recruited not only graduate trainees for succession purposes but those with relevant skills.

The study found out that reward systems are not any way tied to the ability to implement strategies. However, the Authority is process of developing an additional reward system that will tie rewards to the successful implemented strategies. The reward system will be based on the Balance Score Card and performance contracts.

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

### **5.1 Introduction**

This section mainly summarise the findings, draw conclusions and make appropriate recommendations of the study based on the research objectives. Below, is therefore, the detailed summary of the research findings and recommendations thereon.

### **5.2 Summary of Findings**

Although, the findings showed that to a large extent strategy implementation succeeded at KRA, there were certain factors which hindered the 100% achievements of all strategies being implemented in the Authority. These factors include incompatible of organizational structure, poor strategy, poor communication, inconsistent policies, lack of employees involvement and lack of sufficient funding.

To avoid these problems from reoccurring again in future, the Authority need to ensure that the future strategy formulation should made participatory in future by including all staff as well as other stakeholders. This will enrch ownership of the final strategy as well as facilitate smooth successful implementation. For KRA to implement its documented strategies effectively, it is important for the Authority to look at the failures and obstacles and then change course with sole of purpose of achieving success in strategy implementation. The authority will specifically consider undertaking appropriate measures in order to mitigate the challenges it faces.

On cultural aspects and resistance to change, KRA should recognise the fact that when a the Authority's culture is out of sync with what is needed for strategic success, the culture has to be changed as rapidly as can be managed. Successful culture changes have to be led by top management; it is a task that cannot be delegated to others. What organizational leaders say and do plants the seeds of cultural change. Only top management has the power and organizational influence to bring about major change in a

company's culture. This requires the management to think outside the box, that is, do a paradigm shift and realize that there is always more than one way of doing something.

It is evident from the study that most of the staff do not understand the concept of strategy. It is therefore recommended that a communication plan be included in the strategy implementation plan. Communication needs to be an on-going activity and its objective should be to reduce uncertainty. This will enable the staff to fully understand the strategy. The strategy should be communicated to all people involved from top to bottom, not only to managers. Every individual involved is just as important in implementation of a strategy. Also, communication should be done early enough and action taken to avoid possible negative consequences.

KRA should consider involving all the staff and stakeholders in the formulation of the strategies so as to buy in and encourage ownership by everybody. All staff and especially those in the implementation levels should be fully involved in the strategy development so that they can fully own them. Non involvement of all staff may be the reason why documented strategies are not fully implemented. It is therefore, important to note the separation of strategy development and implementation may lead to a situation where critical issues may be left out consideration during formulation phase. The company needs to review periodically if strategic milestones are being achieved.

There is need to constantly review the organization structure with a view of the aligning to the strategic plan so as to ensure that it can remain in focus to attaining corporate goals. There are some inconsistencies and gaps between the plan and its objective and the current organization structure. Successful implementation of a plan ought to be matched with an efficient organization tailored to achieve its goals.

There is need for a continuous professional training and retraining of the entire staff to ensure they are in tandem with the current issues. KRA ought to realize that successful strategy implementation is only possible if and only if the people involved have the right and relevant skills. Thus, training should be frequent, content oriented and adequate enough. A thorough gap analysis is necessary to establish the type, amount and length of

training required. The management should recognize the fact that knowledge is power and can go an extra mile to sponsor further training for career development. The senior managers need to undergo course that will update them with new developments in the management arena because training is the only way of empowering managers and the implementers of strategy.

Regarding staff motivation, the Authority should recognize the fact that one of the greatest changes to strategy implementation is to employ motivational techniques that build wholehearted commitment and winning attitudes among employees. The Authority's senior management should inspire and challenge employees to do their best. The management should specifically get employees to buy into the strategy and commit to making it work, structure individual efforts into teams and work groups in order to facilitate and exchange of ideas and foster a climate of support, allow employees to participate in making decisions about how to perform their job, and try to make jobs interesting and satisfying and the Authority's whole work climate engaging fun. The Authority should devise a scheme that recognises the growth of its organizational members.

Regarding information systems to monitor implementation, the Authority should acknowledge the fact that in today's business environment, competitive advantage goes to those companies which are able to mobilize information and create systems to use knowledge effectively. Accurate, timely information allows organizational members to monitor progress and take corrective actions promptly. To ensure that strategy implementation process is well monitored so that it can be effectively evaluated, an information system has to be put in place to aid such monitoring. KRA has to be seen to be serious by its customers and one of the boosts to such is a fully synchronized system for demonstrating to customers the features of the service on a screen instead of physically taking the customer round the procedure manually. Further, such information system needs to cover customer data operations data, employee data, supplier data and financial performance data. All key financial performance indicators have to be measured as often as practical. It is imperative for KRA to have a continuous monthly and evaluation framework for the implementation of the strategy. This will ensure that

problems are solved as and when they arise, progress is measured and all decisions are made without undue delay.

### **5.3 Conclusions of Study**

For successfully strategy implementation to be attained, the strategies in the corporate plan must be translated into guidelines for the daily actions of the organization's members and managers must direct, control and adjust these strategies to the ever changing environment. Strategy implementation can be defeated, if the attitudes and habits of managers and employee are hostile or at crossroads with the needs of the strategy and if their customary ways of doing things block strategy implementation instead of facilitating it.

The numerous challenges faced during strategy implementation need to be addressed on a continuous basis in order for the organization to attain its long term objectives. The corporate strategy itself, organizational politics, structure and culture, government decisions, inadequate resources, inadequate communication, uncontrollable factors, resistant to change as the major challenges normally encountered during implementation of strategies. Most of these challenges emanate either from internal or external sources within a given organization.

### **5.4 Limitations of Research Study**

The time available for the study was short. This constrained the scope as well as the depth of the research. For instance, a study could be done to find out the degree of ownership and the extent of commitment as strategies are cascaded down from the parent to the strategic business units.

Another constraint experienced was the difficulties of securing a face-to-face interview with some the targeted respondents because of their busy schedule. For example, the researcher did manage to talk to commissioners of Road Transport and Domestic Taxes Departments, but instead, the researched was given their respective deputies.

## **5.5 Suggestions for Further Research**

It is generally agreed universally that no research is an end in itself. Therefore, what this research has achieved can only be considered to be little hence requiring further search work. From the insight gained in the course of the investigation, there is need to: (1) undertake further research in strategic implementation in revenue Authorities within East African Communities so that comparison can be made between them (2) carry out a replication of the study after some time to find out if there are any changes that have taken place and comparison with the current data be done (3) study the practices adopted to evaluate progress towards strategy implementation in revenue authorities within East and Central Africa.

## **5.6 Recommendations for Policy and Practice**

Firstly, there is need to create a tight fit and match between strategy and structure of the organization, that is, the structure to be made consistent with the strategy being implemented because inconsistency leads to disorder, friction and poor performance within the Authority.

Secondly, a responsive communication policy needs to be developed and implemented along with the strategic plan. The communication of the strategy will require clear consistent message as well as feedback mechanisms to be put in place. The policy will ensure that all future correspondence will be done properly and in the right manner.

Thirdly, the Authority need to ensure that the future strategy formulation should be made participatory by ensuring that it includes all staff as well as other stakeholders. This will enrich ownership and support of the final strategy as well as facilitate smooth successful implementation.

Fourthly, the Authority should recognise the fact that when culture is out of sync with what is needed for strategic success, the culture has to be changed as rapidly as can be

managed. Successful culture changes have to be led by top management; it is a task that cannot be delegated to others. Only top management has the power and organizational influence to bring about major change in a company's culture.

Fifthly, the resources required for successful implementation of strategies should be readily available and ensure that it is enough to take through all the strategies. These range from financial, material to human resources. Resources should be allocated accordingly to key issues and priorities identified in the Authority.

Sixthly, there is need for a continuous professional training and retraining of the entire staff in order for to provide support for strategies being implemented. KRA ought to realize that successful strategy implementation is only possible if and only if the people involved have the right and relevant skills. The management should recognize the fact that knowledge is power and can go an extra mile to sponsor further training for career development.

Seventhly, there is need to ensure that reward systems are tied to the ability to implement strategies because currently, the reward system is tied to the position and not to strategy implementation.

Last and not least, the Authority should ensure that strategy implementation process is well monitored so that it can be effectively evaluated. This will assist KRA to continuously take corrective measures where necessary and ensure that management are focus on attaining the corporate goals. With this kind of monitoring system in place, problems will be solved as and when they arise, progress will be measured and all decisions will be made without undue delay.

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## APPENDIXES

### APPENDIX: INTERVIEW GUIDE

1. Which department are you in?

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2. What is your job title?

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3. What are your main responsibilities in the Authority?

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4. How many years have you worked in your current position?

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5. Does KRA have a vision statement?

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6. Does KRA have a mission statement?

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7. Has both vision and mission been changed in the last five years?

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8. Does KRA have a strategic plan and what time frame does it cover?

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9. Who formulates strategic plans and what is your role in strategic planning process

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10. Does KRA have both short term and long-term strategies?

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11. What role do you play in implementing both the short and long term strategies?

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12. Does your department have functional strategies?

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13. Does KRA have set objectives and who sets them?

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14. Do you have documented strategies to assist you in achieving KRA's objectives?

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15. What actions plans have you put in place to enable you achieve KRA's objectives?

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16. Do you consider the corporate strategy itself as a challenge in strategy implementation? Please explain

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Was there any measures taken to revise and improve on the corporate strategy?

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17. Was the organizational structure aligned with strategies being implemented? Please explain.

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Was there any measures taken to re-align the organizational structures?

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18. Was the Chief Executive Officer of KRA in the forefront in providing leadership in strategy implementation? Please explain.

19. Do you consider KRA's culture as a hindrance to strategy implementation? Please explain.

What measures have been taken to ensure the authority's culture is always compatible with the strategy implementation?

20. In your opinion, were the available resources (physical, financial, technological and human) adequate for strategy implementation? Please explain

What measures have you taken to avail enough resources to enable KRA to implement its strategy successfully?

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21. Does the existing policies (specific guidelines, methods, procedure, rules, forms and administrative practices) pose any challenge in facilitating strategy implementation? Please explain.

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What measures have you instituted to ensure established policies are in support of strategy implementation.

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22. Is there adequate communication of the identified strategies to staff in your department for their understanding and acceptance? Please explain.

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What measures have you instituted to improve and provide necessary and adequate communication on strategy implementation?



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23. Did you experience any uncontrollable factors in the external environment that adversely impacted on strategy implementation? Please explain

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What measures have you taken to minimize their adverse effects on strategy implementation?

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24. Did you experience any lack of support and resistance from management, staff and taxpayers while implementing strategy? Please explain.

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What measures have you taken to gain support and minimize resistance to strategy implementation?

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23. Did you experience any uncontrollable factors in the external environment that adversely impacted on strategy implementation? Please explain

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What measures have you taken to minimize their adverse effects on strategy implementation?

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24. Did you experience any lack of support and resistance from management, staff and taxpayers while implementing strategy? Please explain.

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What measures have you taken to gain support and minimize resistance to strategy implementation?

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25. Did the organizational politics pose any challenge to strategy implementation?  
Please explain.

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What measures have been instituted to minimize the adverse effects of these politics in strategy implementation?

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26. Would you say the management and staff have requisite skills required to successfully implement strategies? Please explain.

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What measures have you taken to provide requisite skills for strategy implementation

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27. Are your rewards systems in any way tied to ability to implement strategies?

Please explain

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What measures have you taken to ensure that rewards are tied to ability to implement strategies in the Authority?

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28. Is there a continuous monitoring of strategy implemented to ensure it is in tandem with the corporate plan? Who does the monitoring and how frequently is it done?

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What measures have you taken to ensure that there is continuous monitoring of strategy implementation?

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