STRATEGY DEVELOPMENT AT KENYATTA INTERNATIONAL CONFERENCE CENTRE CORPORATION

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DECLARATION

This research project is my original work and has not been submitted for a degree course in this, or any other University.

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DEDICATION

To my dear family, you are always there for me. That is the wonder of you. Lucy Atieno Awendo, you are the pearl of my heart, I dedicate this work to you.

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I wish to express my sincere gratitude to my supervisor Mr. J. Kagwe for the support he has accorded to me.

ABSTRACT

Organizations operate in a dynamic environment; they are thus environment dependent and environment servicing. The dynamism is propelled by globalization, the internet revolution, hyper competition and liberalization. In order for an organization to remain focused under such circumstances, the long term direction must be clear. The long term direction of an organisation is defined through the process of strategy development. Strategy development seeks 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. Practicing managers embrace divergent views and approaches to strategy development. Such views and approaches are often the consequence of their unique business realities. Such realities are determined by their type of business, internal organisational factors such as resources, product and size and external factors such as market dynamism, market size and industry uniqueness.

Various theories have been advocated to explain the development of strategies in organisations. The most prominent of these schools are the planning and design school and the emergence school. None of these views may operate in isolation. Strategy development is a complex process shaped by various forces. The best process is ultimately that which is sensitive to all the market forces, intricately balancing them and yet not loosing focus on the primary objective of pleasing the customer and increasing the bottom line

State Corporations is often used to refer to corporate bodies in which the government holds at least 50% of the equity and those enterprises whose operations are otherwise controlled by the state. Kenyan State Corporations operate in an intricate business environment where an elusive balance must be achieved on how to satisfy the politics of the day and still make business logic. It is against this background that in the year 2001, the government of Kenya developed and launched the Strategy for Performance improvement in the Public Service. This Strategy was anchored on the need to develop a result based management and was heavily anchored on strategic planning.

This study sought to establish how strategy is developed at the Kenyatta International Conference Centre Corporation (KICC) and the challenges of the process. The KICC is a State Corporation established through the KICC order, 2004 contained in Kenya Gazette Supplement No. 45, Legislative Supplement No. 26 (Legal Notice No. 77) dated 9th July 2004.

Case study design was used to establish how strategy is developed at the KICC and challenges faced in the process. Primary data was collected through personal interviews with the respondents who are responsible for strategy development at the KICC. Secondary data was obtained from manuals and books about the KICC. The data was then analyzed qualitatively in order to arrive at a conclusion and make recommendations.

The study revealed that, strategies at the Kenyatta International Conference Centre Corporation are formulated by the management team. The process of developing the strategies is systematic and structured. The KICC has a mission statement and clearly defined corporate directions in the form of vision statement and set core values to position KICC for future opportunities. There is a systematic approach and deployment of employee empowerment in which employees recite the vision, mission and core values in staff baraza in both English and Kiswahili. The study established that brainstorming and suggestion systems are the most common participatory tools used to obtain views.

The study identified organizational structure, inadequate resources, Lack of title to the envisaged Corporation's land, national politics and government decisions, alignment of organisational strategy to government strategy and poor communication as the main challenges facing strategy development practices at the Kenyatta International Conference Centre Corporation.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations operate in a dynamic environment; they are thus environment dependent and environment servicing. The dynamism is propelled by globalization, the internet revolution, hyper competition and liberalization. In order for an organization to remain focused under such circumstances, the long term direction must be clear. Chandler (1962) termed the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and allocation of resources necessary for carrying out the goals as strategy. Strategy is therefore the outcome of strategy development. Strategy development enables an organization to think about the big picture and future plans and thus aligns stakeholder needs with a plan that can be put into operation. Ngumo (2006) noted that without a strategy an organization misses opportunities, wastes resources and generally drifts away from its objectives. Eventually the end result is confusion, misapplication of resources, lack of clear objectives, no timescales and no accountability.

1.1.1 Strategy

Strategic management has become an important aspect of entirely all organizations. The business orientation of such organizations is no longer important. The private sector, the government, non governmental organizations, charities, churches have embraced strategic management. Porter (1996) note that strategic management has grown in importance over the last 30 years largely on account of the increasing complexity of the modern business organization. In order to understand strategic management there is need to define strategy as a concept.

Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration or 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 (Kimeli 2008). The strategy of a company thus seeks to interrogate where the company is now, where it seeks to be in the future and ultimately how it seeks to get there. Strategy is the bridge to link the two diversities. Strategy must thus remain realistic by paying a close attention to available resources, strive to work on weaknesses, scenario plan for threats and seek to exploit opportunities.

A good strategy should identify opportunities in the environment and exploit them as well as identifying threats and guarding the organisation from them (Porter 1980). For a strategy to be successful there ought to be an objective appraisal of the resources of an organisation which involves understanding strengths and exploiting them while understanding weaknesses and threats and protecting the organisation against them. The strategy should also be effectively developed and implemented. This entails matching the strategy to the organisation's structure, addressing issues of strategy and leadership, organisational culture, stockholder's expectations and other internal organisational variables (Johnson and Scholes 2002).

Strategic management has been defined as a set of decision and actions that result in the formulation and implementation of plans designed to achieve organization's objectives (Pearce and Robinson 1997). The process of strategic management does not end when the organization makes a decision as to what strategy to pursue (Koske 2003). Strategic management follows through by ensuring that the intended is put into practice, reviews progress and conducts an evaluation as a basis to guarantee continuous improvement. Organisations must continually conduct value chain analysis to guard against developing into mechanistic bureaucracies that are more concerned about own rules and not value to the customer. An organisation that embraces strategic management must grow with the customer, change with the customer and must never loose the customer.

1.1.2 Strategy Development

Strategy development is one of the integral components of strategic management. 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.

Various theories have been advocated to explain the development of strategies in organisations. The most prominent of these schools are the planning and design school and the emergence school (Johnson & Scholes). The planning and design school hold that a good strategy specifies a consciously intended course of action, is designed in advance of the actions it governs and is developed deliberately. It has been praised for promoting unity of purpose, direction and commitment by: forcing managers to deliberately think about strategy, requiring analysis in addition to intuition, resulting in documented strategy and making communication of strategy easier. It has been criticized for: inflexibility, inhibiting creativity and originality and consuming a lot of time.

The emergent school views strategy as the emergence of order and innovation from the variety and diversity which exists in and around the organisation. New ideas and therefore innovation may come from anywhere in an organisation or indeed from stimuli in the world around it (Johnson & Scholes 2002). This view has respect for individual interpretations and thus innovation. None of these views may operate in isolation. Strategy development is a complex process shaped by various forces. The best process is ultimately that which is sensitive to all the market forces, intricately balancing them and yet not loosing focus on the primary objective of pleasing the customer and increasing the bottom line.

1.1.3 The context of Strategy in State Corporations in Kenya

State Corporations is often used to refer to corporate bodies in which the government holds at least 50% of the equity and those enterprises whose operations are otherwise controlled by the state (Okiro 2006). The State Corporation Act, chapter 446 of the Laws of Kenya defines a State Corporation as a body corporate established by or under an Act of parliament or other written law; but not- the permanent secretary to the Treasury incorporated under the secretary to the government Act, a local authority established under the local treasury (incorporation) Act, a building society established in accordance with the building societies Act, a company incorporated under the companies Act which is not wholly owned or controlled by the Government or by a State corporation, the Central Bank of Kenya established under the Central Bank of Kenya Act or any other body corporate established by or under any written Law declared by the President by notice in the Gazette not to be a State Corporation.

Njiru (2008), notes that state corporations are characterized by: Perpetual succession- capable of suing and being sued and capable of holding and alienating movable and immovable property, have all the power necessary or expedient for the performance of their respective functions, managed by Boards of directors, a chairman appointed by the president who is not executive unless the President otherwise directs, the chief executive, the Permanent Secretary (PS) of the parent Ministry, the PS to the Treasury, not more than seven other members not being employees of the State Corporation, of whom not more than three are be public officers appointed by the Minister. Njiru (2008) further notes that the Inspector of State Corporations advices the Government on all matters affecting effective running of State Corporations. Periodically reports to the Minister on management practices within any State Corporation and to the Controller and Auditor General and the Auditor General (Corporations) any case where moneys approved by parliament are not being applied by state corporations for the purposes for which they were appropriated. The State Corporation Advisory Committee with assistance of experts where necessary, reviews and investigates the affairs of State Corporations and makes such recommendations to the President as it may deem necessary. The committee in consultation with the Audit General and the Treasury advise the President on the establishment, reorganization or dissolution of State Corporations and where necessary advice on the appointment removal or transfer of officers and staff of State Corporations, the secondment of public officers to State Corporations and the terms and conditions of any appointment, removal, transfer or secondment. Examine any management proposals by State Corporations to acquire interest in any business or to enter into joint ventures with other bodies or persons or to undertake new business or otherwise expand the scope of the activities and advise thereon.

Njiru (2008) observes that the Kenya Government forms State Corporations to meet both commercial and social goals. Such goals include; correcting market failure, exploiting social and political objectives, providing education and health, redistributing income or developing marginal areas. She observes that at independence (1963) State Corporations were retooled into vehicles for indigenization of the economy and thus majority of State Corporations that exist today were established in 1960s and 1970s.

Njiru (2008) further notes, that State Corporations are classified into sectors. The General Economic Services Sector is mandated to create and facilitate a sustainable Infrastructure Environment for Social Economic Service Delivery, Human Resource Reutilization, Tourism, Trade, and Industrial Development in order to achieve a desired national economic growth and development. This sector thus formulates, coordinates and implements social economic policies, strategies and programmes geared towards achieving sustainable development and growth. The sector consist of five interrelated sub sectors namely Tourism and Wildlife, Trade and Industry, Labour and Human Development, Gender, Sports, Culture and Social Services and Youth Affairs. The Tourism and Wildlife sub sector is mandated to market Kenya as a global tourism destination, develop and promote domestic tourism, diversification and development of tourism products, regulation and standardisation of tourism facilities and products, wildlife conservation and management. It incorporates State Corporations such as the Kenya Tourism Development Corporation (KTDC), Kenya Utalii College (KUC), Kenya Tourism Board (KTB), Catering and Tourism Development Levy Trustees (CTDLT), Bomas of Kenya; Kenya Wildlife services (KWS) and the Kenyatta International Conference Centre (KICC).

Kenyan State Corporations operate in an intricate business environment where an elusive balance must be achieved on how to satisfy the politics of the day and still make business logic. It is due to this that often the strategy development process in State Corporations is viewed as adhoc and meant to satisfy the politics of the day. Okiro (2006) suggests that the strategy development process in state corporations is less objective and highly subjective to the acceptability of the responsible minister. Njiru (2008) observes that the operations of State Corporations are plagued by various challenges. She identifies such challenges as politicization and poor corporate governance, weak supervisory mechanism, fragmented institutional framework in the tourism sector State Corporations, weak expenditure controls, inadequate budgetary allocation, deterioration and near collapse of infrastructure in some parts of the country thus greatly affecting access to tourist attractions, negative travel advisories against Kenya issued by governments in the main international source markets coupled with actual and perceived concerns regarding safety and security has resulted in negative publicity and thus affecting marketing efforts, Lack of harmonization between national policies and Land use resulting in Human wildlife conflicts while unplanned construction and over concentrations of tourism facilities in fragile ecosystems has posed a real challenge for the sustainability for tourism and wildlife, Lack of systems to ensure equitable sharing of benefits and opportunities accruing from tourism with the local communities has resulted in tension and conflicts and lack of adequate training, examination, control and licensing (e.g. tour guides, drivers etc) leading to declining quality of service. The

Waruhiu Commission (1980) Report blames the poor selection of civil servants appointed to head state corporations as the root cause of poor management in most state corporations. The Oyugi Commission (1997) confirmed that the management of state corporations has been found to be a major impediment of performance in the corporations.

It is against this background that in the year 2001, the government of Kenya developed and launched the Strategy for Performance improvement in the Public Service. The manner in which business was transacted then within the public service was not compatible with the new thinking. A paradigm shift was thus inevitable in order to reflect the new realities. The then bureaucratic, mechanistic, passive and inward looking approach had to be transformed to pro-active, flexible, outward looking and results oriented approach. This new approach was meant to improve customer satisfaction and value for money. Cost efficiency, customer satisfaction, bottom line and similar terms found their way into government.

NEPAD Kenya; The Seventh African Governance Forum (AGF-VII) - Kenya Country Report on Building the Capable State for Improved Service Delivery: Challenges and Opportunities (2007) note that the Government has introduced a number of performance related reforms in the public sector. Among the reforms is the Result Based Management (RBM) to spearhead the institutionalization of Results Based Management Approach. The government established Public Service Reforms and Development Secretariat in the Cabinet Office to coordinate the Public Service Reforms. The AGF-VII Report, (2007), further notes that RBM aims at transforming the Public Service from process to a result based management culture that supports the achievements of National Goals, rebuilding an esprit de corps within the Public Service that reinforces the importance of common strategic direction, shared values and ethics and collective responsibility in the Public Service as prescribed in the Public Service Ethics Act (2003). The adoption of RBM according to the AGF-VII Report (2007) has led to a number of successes. They include; development of the National Performance Management Framework (NPMF), capacity building program to enhance core competencies among public servants and the inculcation of positive Public Service values, ethics and transformative leadership, training aimed at enhancing the implementation capacity of public institutions (This is being done through the Rapid Result Initiative -RRI) and the development of Human Resource Management policies on recruitment, placement, promotion, mobility among others.

The AGF-VII (2007) Report notes that in 2003 the Government directed that all Permanent Secretaries and Chief Executives of State Corporations sign performance contracts. The aim of performance contracting is to introduce a management culture that focuses on output or outcomes, efficiency and cost effectiveness while at the same time addressing the problems that inhibit good performance in public institutions. The reform involves setting annual performance targets drawn from strategic plans. The targets are to be achieved within a specified time frame. The targets are closely monitored and failure is penalized. The Strategy was meant to achieve increased productivity; better service delivery and accountability amongst public servants. This Strategy was anchored on the need to develop a result based management. The belief was then as it is now, that what gets measured gets done. The AGF-VII (2007) Report confirms that Kenya received the prestigious United Nations Public Service Award for 2007 in recognition of the transparency and responsiveness of the Public sector mainly due to performance contracting.

In addition, the AGF-VII Report (2007) notes that in 2003 Government published Economic Recovery Strategy (ERS) paper for wealth and employment creation. This initiative builds on earlier initiatives namely the 2001 ERS. The National Development Plan 2002-2008. The National poverty eradication plan to 2015, The National Rainbow coalition's election manifesto and post election programmers. The main objective of the ERS is to put in place measures that would help reverse the challenges of poverty and declining economic growth. It also seeks to put in place measures that would strengthen institutions of Governance, rehabilitations and expansion of infrastructure and investment in Human capital of the poor and the performance of public servants among others.

1.1.4 The Kenyatta International Conference Centre Corporation (KICC)

A Norwegian architect Karl Henrik Nostorik designed the Kenyatta International Conference Centre (KICC) in 1967. The design combined the traditions, aspirations and the environment of Kenya with the top needs and requirements of conference organizers (KICC Strategic Plan 2008-2012, 2009). The Strategic Plan notes that the facility was completed in 1973 and that it was built in two phases. Phase one was built within a period of two years from 1967/8 to 1968/9 financial years while Phase two was built within five years between 1969/70 and 1973/4. The construction in both phases was to cost the government an estimated Kshs. 80 million (Kshs. 79,747,000.00). At completion, the cost of the building and furniture was

Kshs. 125 million. The financing came from the Consolidated Fund (KICC first strategic plan 2005-10, 2005)

Nganga (2009) notes that over the years KICC was managed as a government department under various ministries until 1991 when Kenya African National Union (KANU) seized it from the ministry of Tourism and Wildlife. She notes that, the facility was repossessed from KANU by the NARC government on 11th February 2003. KICC is currently situated on a piece of land LR.NO.209/11157 measuring 1.6944 hectares (KICC Strategic Plan 2005-2010, 2009). Initially the above land was allocated to the Kenya African National Union Investment Trust Limited on 6th May 1969. However, the KANU Investment Trust did not accept the offer within the stipulated 30 days. Consequently, the period of offer was extended to 31st July 1969. There is no evidence that the KANU trust accepted the offer even then. However, KANU went a head to take possession of the building. Evidence, as per the minutes of Cabinet meeting of 7th May 1987, shows that the Cabinet resisted the attempts by KANU to take ownership of KICC. The decision was deferred pending a cabinet memorandum. The transfer was never affected. The area and all the surrounding plots remain what might be described as "government square" (KICC first strategic plan 2005-10, 2005)

According to the KICC's first strategic plan 2005-10, (2005), the KICC was established as a Corporation through the KICC order, 2004 contained in Kenya Gazette Supplement No. 45, Legislative Supplement No. 26 (Legal Notice No. 77) dated 9th July 2004. It was established to discharge the following mandates: promote and market conference tourism both locally and internationally, monitor the quality and standard of conference facilities and advice both private and public investors on improvement of such facilities, plan and implement the expansion and modernization of existing conference facilities and develop new ones and carry out any other activities relevant to its principal mandate

The vision for the KICC is to be a premier global centre of excellence in conference tourism (KICC Strategic Plan 2005-2010, 2009). This is actualised by providing globally competitive convention facilities and services that surpass clients' expectations while maximizing returns to stakeholders. In pursuit of this Mission, the KICC promotes the development of KICC's facilitates and assures the quality of service, necessary consultation with stakeholders, research and advocacy and provides effective communication and dissemination of information using the latest technology in use in conference tourism. KICC's efforts to fulfil its mission and achieve its vision take place within a complex strategic environment that includes the KICC Corporation, the city of Nairobi, the government of Kenya, the tourism industry but extends far beyond it as well. If KICC is to successfully fulfil its mission and achieve its vision, it is therefore necessary for it to understand this strategic environment. Analyzing its internal strengths and weaknesses and assessing the external opportunities that it has and challenges that it faces can best be understood by examining the result of the analysis of KICC's strategic environment which is actualised through strategy development.

The KICC developed its first strategic plan (2005-2010) in March 2005 and has since under the Board of KICC and the staff under the leadership of the CEO, Mr. Philip Kisia and now Ms. Jennifer Opondo made significant progress in repositioning the Centre towards its defined mission and vision. This has indeed set a firm base and foundation for the future of KICC. The environment of KICC's operations has been changing over time since it formulated its strategic plan in March 2005. The changes include increasing competition, changing government policy and the need for Parastatals to be self sustaining. In 2008 KICC's management carried out an evaluation of the strategic plan with a view to aligning it with Vision 2030, Medium Term Plan (MTP) and the Ministry of Tourism (parent Ministry) strategic plan (2008 – 2012) along other policies and initiatives.

1.2 Statement of the Research Problem

Studies carried out on strategy development in state corporations in Kenya have mostly been critical of what they term poor management in the corporations. Ogeto (1994) observes that State Corporations have not been making as much profits compared to private sector companies for a given amount of investment. Okiro (2006) dismisses the management for state corporations arguing it presents opportunities for planting political party supporters as a reward to them when a political party assumes power. This state of affairs they argue led to the collapse of various state corporations in the past. Such corporations included the Kenya Meat Commission (re-opened), Kenya Cooperative Creameries (re-opened) and the Kenya National Assurance Company.

Okiro (2006) observes that public sector enterprises were established for reasons ranging from Africanisation of the economy to providing venture capital. He notes that many of these organisations are actually in a dismal state today and hardly make impact on their intended objectives, much as they are still kept in existence. He too cites collapse of State Corporations or what he terms Public Sector Enterprises as the consequence.

World Bank Report (1991) blames the public sector for being the core of the stagnation and the decline in growth in Africa. Nganga (2009) blames the KANU regime for greatly contributing to the mismanagement of State Corporations. She notes that earnings from them were mainly in control and use of the political elites in the party. Most of these corporations were characterised by corruption, nepotism, low staff morale, high staff turnover, poor financial control and lack of prudent corporate governance.

However, in the light of a demanding Kenyan public, competition from the private sector, globalisation and pressure from donors, state corporations have had no option but to reform. Kangoro (1998) notes that there is increasing pressure to perform from the Kenyan public and donors and with such pressure; the public corporations managers must have the capacity to adopt and restructure the organisations to challenge the constraints. It is in this light that the Kenya government has adopted various initiatives to improve the performance of state corporations. Such initiatives include the strengthening of the state corporation's advisory board, the strengthening of inspectorate of state corporations and performance contracting for boards of state corporations and their Chief Executive Officers. Other measures include the annual evaluation and ranking of State Corporations in terms of performance and competitive recruitment of CEOs of state corporations

It may currently therefore be misleading to rely on findings of the above studies considering the change in context. Africanisation is no longer an issue in State Corporations today, we don't witness the collapse of State Corporations as we used to and there is increasingly more effort to reward meritocracy than may have been the case in the past. Most State Corporations are no longer in a dismal state today and infact they make tremendous impact on their intended objectives and are mostly self sustaining. Fig. 1 and 2 indicate contribution by the Kenyatta International Conference Centre Corporation to the economy in tabular and graphical form respectively:

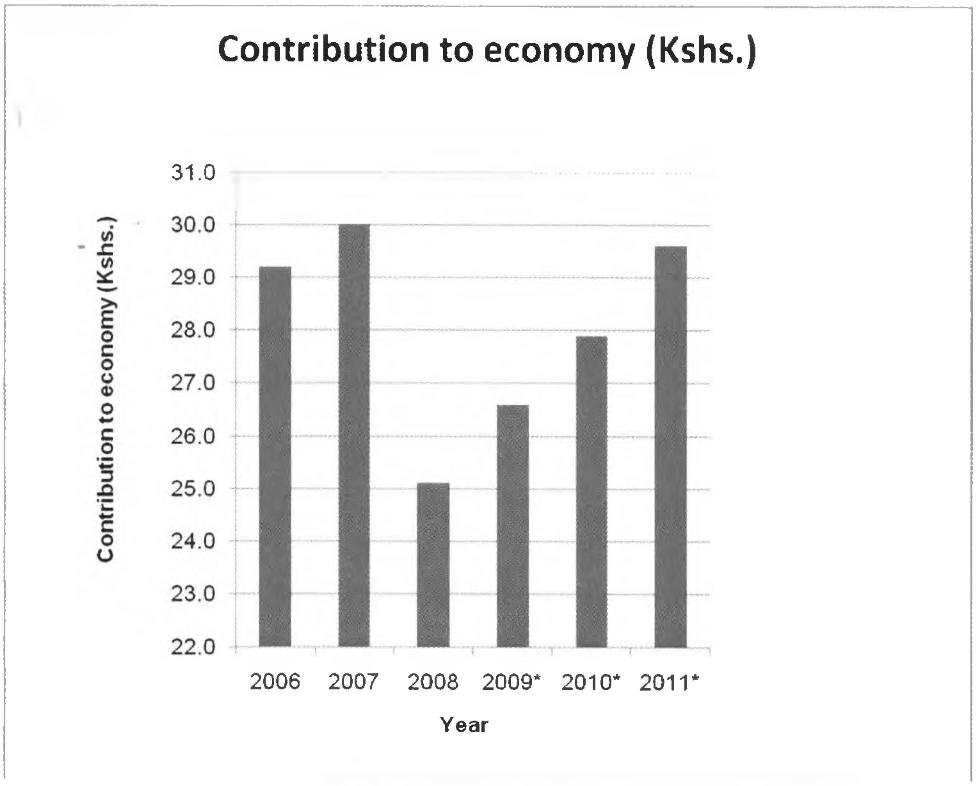
Figure 1: Contribution by the Kenyatta International Conference Centre Corporation to the Kenyan Economy

YEAR	CONTRIBUTION TO ECONOMY *(KSHS. BILLIONS)*
2006	29.2
2007	30.0

2008	25.1
2009*	26.6
2010*	27.9
2011*	29.6

** projected contribution to National economy (Source: KICC Strategic Plan 2008-2012, 2009)*

Figure 2: Contribution by the Kenyatta International Conference Centre Corporation to the Kenyan Economy



**projected contribution to National economy*

There is therefore need to study State Corporations in positive light with emphasis on what they have been able to contribute to the greater good of the economy. Conceptually, new management models and best practices have evolved and thus the need to embrace them.

Okiro (2006) notes that in the 1990s consensus had emerged that there was too much anti-public sectorism. The World Bank (2000) Report concluded that Public Sector Enterprises (PSEs) had great potential to reduce poverty and that good PSEs are associated with higher income, national wealth and social achievement.

There is therefore need to add to the existing knowledge on strategy development in Kenya due to contextual and conceptual differences. In a bid to address the contextual and conceptual issues, this paper begs to answer the question of Strategy Development of the KICC. This study is unique and seeks to add to new knowledge in the sense that all the other studies were not on the KICC. My research aims to answer the two questions; how is strategy developed at the KICC? And what are the challenges of the process?

1.3 Objectives of the Study

The objectives of the study are to;

(i) Determine how strategy is developed at the Kenyatta International Conference Centre Corporation.

(ii) Determine challenges faced in the process of strategy development at the Kenyatta International Conference Centre Corporation.

1.4 Importance of the Study

The findings of this study are important to various users. They provide literature to scholars who might need to research on Strategy development in State Corporations in Kenya. In addition the study provides the management of the KICC with an insight into the challenges that the organisation has encountered while developing her new strategies with a view to embrace best market practice. The findings of the study provide shareholders with information to be able to make informed decisions about the organisation.

1.5 Scope of the Study

The study will seek to establish how the KICC develops her strategy. In so doing the study will seek to answer the questions; what is the process used in strategy development at the

Kenyatta International Conference Centre? And what challenges if any, are experienced in the process? The study will focus on the Kenyatta International Conference Centre, a state Corporation in Kenya.

1.6 Structure of the Project

This project report is made up of five chapters. Chapter one is the introduction chapter. The chapter comprises of the background to the study detailing the concept of strategy and strategy development, an overview of the context of strategy development in State Corporations in Kenya with a special focus the KICC. It articulates the research problem, objectives of the study, importance of the study and the study's scope.

Literature review constitutes chapter two. The chapter delves into the field of strategic management process. It reviews strategy development process, outcomes of the strategy development process, views of strategy development in organisations, challenges of the process and how organizations addresses challenges in strategy development.

The third chapter of this project report is the research methodology chapter. The chapter comprise the methodology that has been used to conduct the research. It describes the research design, data collection methods and the process that has been used to analyse the results from the data that was collected.

Chapter four is the findings and discussion chapter. The researcher discusses the process used for strategy development at the KICC, challenges of strategy development at the KICC and how the challenges have been addressed.

Chapter five articulates the summary of findings, conclusion of the study, limitations of study, suggestions for further research and recommendations for policy and practice. In this chapter, the findings of the study are summarized and recommendations made.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Management Process

Strategic management has grown in importance over the last 30 years largely on account of the increasing complexity of modern business organizations (Porter 1996). The modern business organisation operates amidst various forces including hyper competition, globalisation, the internet revolution and a demanding customer. 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. This definition implies creation of synergy among various functions in a bid to actualize the organizational objectives. Strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action (Johnson and Scholes 2004). Strategic management is thus concerned with interrogation of the future after honest and deliberate analysis of the organisation. It decides on strategy and decides on how such strategy will be actualised.

Okiro (2006) asserts that the concept of strategy is built around winning. He argues that strategy helps to achieve success whether in business or otherwise. Success in this context refers to the realization of objectives that are desired. Porter (1980) sees strategy as building a defense against the competitive forces and finding positions in the industry where the forces are weakest. Porter emphasizes the need to understand ourselves, our competitors and the industry so as to have a fair chance of surviving in the market place.

Strategy thus seeks to define the business domain of an organization. It enumerates the products, market scope of the entity and defines the long term direction of the organization by stating the vision, mission and core objectives and thus securing efficiency. It seeks to match the activities of the organization to the environment thereby achieving a strategic fit. This is of essence considering that organizations are open systems. Strategy is in essence the basis for achieving competitive advantage. In this regard strategy enables us retain and attract customers who have a choice. This basically means that strategy enables business continuance. Pearce & Robinson (1997) agrees by noting that strategy helps in providing long term direction for an organization. Organizations must be clear on where they want to be in the long term and how to get there. This interface in actualized by strategic management through strategic planning and the how through strategy.

In a sense we may want to answer the question, "what are the roles of strategy?" Strategy helps companies cope with change (Pearce & Robinson 1988). Change is a transition from one state to another with focus on being different. Hodge and Anthony (1988) define organizational change as an alteration in the status quo. Change occurs mainly because organisations as open systems, must frequently cope with shifts in key environmental domains. If they do not change to cope with shifts in important environmental domains, they may face serious problems and they may even die. By adapting to new conditions, they can continue to grow and prosper. Thus organisations must change to cope with changes generated by changes in their external environment, which are continuously changing. Changes may also be generated by the internal environment (from within the organisation). Change in organizations often takes a business or a people dimension. The business dimension is concerned with the change drivers, the change strategy, business processes, systems and structures, the persons involved in the change process and their roles and finally post change evaluation. It concentrates on the aspects of the organization affected, significance of the alterations to status quo, change duration and the strategic importance. The people dimension of Change involves the alignment of the organization's culture, values, people, and behaviors to encourage the desired results. The people dimension of change is how employees experience the change process and how they are helped to cope with the change. The strategy of the organisation is therefore meant to help the organisation align itself to changes in the environment so as to reduce disruptions occasioned by change.

Pearce & Robinson (1997) notes that strategy helps in providing long term direction for an organization. This is realized through the organization's vision statement, mission, values, ethics and social responsibility. The vision is the management's aspiration for an organization. It clarifies the direction in which an organization needs to move. Visionless organizations are unsure what business position they are trying to stake out. To be useful, a vision should be communicated and should be shared widely in an organization. The mission is the fundamental unique purpose that sets an organization apart from other organizations of its type and identifies the scope of its operations. It provides a unifying theme for an organization and communicates a sense of what is to be achieved. The mission sets out the "what", "where" and "how" of an organization. Values are the beliefs which are widely held to be crucial for the success of a given organization. Such believes substantially drive the behaviour of people in an organization and are often the basis of an organization's culture. Values can transform a random group of individuals into a coherent and committed team.

Clear, common values provide guidelines for behaviour and a secure framework in which growth is possible. Ethics and social responsibilities pose certain expectations on organizations and thus responsibilities. Such responsibilities may be economic, ethical or social.

Pearce & Robinson (1988) further notes that strategy helps organisations focus their resources and effort. Strategy achieves this through determining the product, market and activities scope. Chandler (1962) observes that strategy is the establishment of the long-term goals and objectives of an organization including the taking actions and allocation of resources for achieving these goals. Due to scarcity of resources, the strategy that is chosen should be one that optimizes these resources in the pursuit of the organizational goals and objectives. A well formulated strategy enables the organization to marshal and allocate its resources in a unique way on the basis of its relative internal competences and limitations, expected changes in the environment and contingent actions by competitors (Quinn 1980).

Other roles of strategy include decision support by way of providing a set of guidelines and criteria for how individual decisions will be made in an organisation. Strategy in this sense offers simplification and consistency to decision making. In addition, strategy facilitates coordination and communication.

In addition to the roles of strategy, let's interrogate the various levels of strategy as an attempt to understand the strategic management process. Strategy in an organization often falls under three levels namely corporate, business and functional. This threefold distinction of strategy is clearly discernible in large companies that are involved in several businesses (Aosa 1992). The corporate strategy addresses the overall purpose and scope of the organization namely overall business domain, corporate resource allocation and value addition to the different parts of the organization. According to Grant (1998) corporate strategy defines the scope of the firm in terms of the industries and markets in which it competes. The business strategy addresses competition with other business in the market. Business strategy is concerned with how the firm competes within a particular industry or market. The business level strategy helps bridge decisions at the corporate and functional levels. The two levels of strategy are concerned with achieving effectiveness. The final level of strategy is the functional strategy which is concerned with how the various functional areas contribute to achieving business and corporate strategy. It focuses on organizational processes and thus efficiency. In business organizations, functional strategies are elaboration and implementation of business strategies through individual functions such as production, research and development, marketing, human resources and finance (Grant 1998).

Strategic management is thus a product of individual and collective attempts to make sense of and interpret past events. Organisations by continuously reviewing what they have undergone over the past years through the concept of strategy ensure sustainability, correction and modification of weaknesses as well as focusing on strengths.

2.2 Strategy Development Process

Strategy development is part of the wider strategic management process. Kiuna (2007) noted that strategic planning is a complex and ongoing process of organizational change. Several attributes, when combined effectively define a successful and comprehensive strategic planning process. He observes that the planning process is oriented and focuses on the anticipated future and also looks at how the world could be different 5-10 years from now. He further notes that strategic planning is flexible and oriented towards the big picture while aligning an organisation with its environment. When successful, strategic planning influences all areas of operations thus becoming a part of the organisation's philosophy and culture.

Kiuna (2007) notes that strategic planning process involves three key initial steps namely:

- Formulation of mission and objectives

  The mission statement describes the company business, vision and forward looking visionary goals that guide the pursuit of future opportunities.

- Environmental Scanning

  Involves conducting an internal and external analysis of the firm (through SWOT analysis), performing an analysis of the firm's industry. Porter (1996) note that industry analysis can be performed using Porters five forces framework.

- Strategy Formulation

  Involves several key activities of establishing a framework for the exercise and reaching a consensus on the objective, purpose and results so that it is appropriate.

Strickland and Thomson (1996) note that strategic planning has several key potential benefits namely: it provides for a capacity to be pro-active and to respond positively to change, assists in optimizing organization performance and results, aid the identification, prioritization of strategic options as well as exploitation of opportunities and threats. It also provides a framework for improved co-ordination and control of activities, a reduction of bureaucracy and the duplication of work as well as act as a basis for clarification of individual responsibilities. They further note that strategic planning leads to increased responsiveness to change and the empowerment of employees. Strategic planning helps organizations develop sustainable competitive advantage, cultivating a forward thinking culture and therefore creating a culture of learning organizations (Murage 2001).

Strategic planning enables an organization to think about the big picture and future plans and thus aligns stakeholder needs with a plan that can be put into operation. Strategic planning further enables an organization to be more proactive and to actively shape its destiny. In addition, an organization is better able to better make decisions, prioritize and solve problems, deal with change and facilitate teamwork (Abell, 1993). Ngumo (2006) observes that without a strategy an organization misses opportunities, wastes resources and generally drifts away from its objectives. Eventually the end result is confusion, misapplication of resources, lack of clear objectives, no timescales and no accountability.

The strategic development process must thus seek to develop responsive strategies that essentially position the organization as a major player in the market. The process should strive to achieve an intricate balance between business sense and stakeholder interests. The major stakeholders including employees should feel involved and not isolated. Their involvement should be seen in the sense of legitimizing the process and thus giving it the much needed thrust when it comes to implementation. Organizations do not necessarily have to abide to text book guidelines but must strive to carry as many stakeholders as possible along. Best market practice may provide a mirror from which to see how tall we stand. However, the overriding principle is that the outcomes of the strategy development process must be pragmatic and within the confines of reasonable resources. Such outcomes should propel the business to the next level.

2.3 Outcomes of Strategy Development

Strategy development ultimately results in a strategic plan. The best strategy, if not executed properly is worthless (Kiuna 2007). Strategic plans are long term objectives of an organisation and often need to be broken down so as to be pragmatic. By translating the long-term into short-term guides to action, they make the strategy operational (Pearce and

Robinson 2004). Strategic plans are thus broken down into corporate plans. The corporate plan addresses the overall purpose and scope of the organization namely overall business domain, corporate resource allocation and value addition to the different parts of the organization. According to Grant (1998), corporate plans define the scope of the firm in terms of the industries and markets in which it competes. Business managers then cascade the corporate plans into business plans for the various strategic business units. Business plans are concerned with how the firm competes within a particular industry or market (Grant 1998). The business plans are then transformed into functional plans by the various functional managers. The functional plans are concerned with processes and thus efficiency. The various plans incorporate annual objectives, strategies, and specific policies as a means of communicating what must be done to implement the overall strategy. 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 translate long-range aspiration into the annual targets. If well developed, these objectives provide clarity, a powerful motivator and a facilitator of effective strategy implementation (Pearce and Robinson 2004). The annual objectives are actualised by resources. The allocation of resources to actualise annual objectives is done through a budget. Other plans that compliment the systematic actualisation of formulated strategy include action plans, activity plans, and critical paths among others.

The various plans discussed above are a product of the limited resources available to organizations. Inherent in them are strategies that are a product of strategy development, such strategies ought to be implemented so as to increase the bottom line and thus turn round company fortunes. Strategy implementation is thus the next logical step after strategy formulation (Mobisa 2007). Without effective implementation the best-laid strategies are of little use. A well-formulated strategy must take into account the process through which it will be implemented and it is through implementation that strategies are formulated and reformulated (Grant 1998). David (1997) noted that 10% of the formulated strategies are successfully implemented while 90% of well formulated strategies fail at implementation stage. 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.

Pearce and Robinson (2004) define strategy implementation 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. David (2002) defines strategy implementation as an action stage of strategic management. Implementing strategy means mobilizing employees and managers to put formulated strategies into action. Pearce and Robinson (2004) notes that strategy implementation is successfully initiated in three inter-related stages namely identification of measurable mutually determined annual objectives which convert long-term objectives into specific short-term ends, development of specific functional strategies which translate grand strategy at the business level into current action unit plans and finally development and communication of concise policies to guide decisions and provide guidelines for operation while executing strategies. Lynch (2000) observes that strategy implementation includes consideration of who will be responsible for strategy implementation, the most suitable organizational structure and what should support the implementation of strategy.

Johnson and Scholes (2004) noted that the implementation of appropriate strategies remains one of the most difficult areas of management. Considerable thought, energy and resources are given 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). Al-Ghamdi (1998) identified barriers to strategy implementation as 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, inadequate information systems used to monitor implementation, 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.

Awino (2001) identified four problem areas affecting successful strategy implementation namely lack of fit between strategy and structure, inadequate information and communication systems and failure to impart new skills. Pearce and Robinson (2004) observe that challenges can arise when attempts are made to implement strategy. The challenges include: poor strategy choice by managers' thus futile implementation, poor implementation procedure and finally 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.

Strategy implementation is definitely the most perilous of all the strategic management processes. It often actualises what all along has been mere paper work. It presents departure from status quo and resistance from the most dear of colleagues. It is however a path that must be taken if only to make sense of the many resources so far sunk in the strategy development process. It is the only bridge to achieve the business vision and remain relevant in the competitive market place.

2.4 Views of Strategy Development in Organisations

Organisations are unique to industry and environment. Certain environments are more dynamic than others and thus the difference in approaches to strategy development. Kangoro (1998) affirms that organisations are open systems, which depend on the environment for inputs that they process and provide back to the environment. The author notes that environmental differences lead to differences in approaches to strategy development. Pearce and Robinson (2004) asserts that 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. Strategy formulation thus provides a clear path to follow and as a result helps managers remain focused. It further seeks to help prioritise resources to help optimise business results. It is important that managerial decisions are realised in action. Strategic formulation ensures this and ultimately all that is core to the industry with input from the management becomes a critical area of fruition.

Malusi (2006) notes that public sector organisations have embraced strategy development as a result of demands for greater efficiency in utilisation of resources and provision of goods and services from the general public and donor agencies like the World Bank. Strategy development encompasses working through specific line of actions to achieve organisational objectives while maximising returns to stakeholders. Both the public and private organisations have no choice but to position themselves in the industries in which they operate. Strategy development is thus not an option dictated by mode of ownership of the company.

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. To ensure that an organisation remains a key player in its respective industry, strategies must be put in place in order to ensure competitive advantage within the industry. The public sector has a wider external and internal environment interaction compared to the private sector. This makes strategy development extremely practicable in the public sector. To be able to deal with these environments adequately, measures must consciously be put in place through strategy development.

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. Resources present within the State Corporations are enormous. These resources include labour and a large workforce. Strategy development within this sector will be concerned with the proper use, allocation and maximization of these resources and hence bring more value to the sector. Mintzberg (1987) notes that most successful companies do not start out with detailed strategic plans. That their plans emerge over time from the pattern of decisions they make or key aspects of their activities. For strategy to be selected, it must be suitable, feasible and acceptable. Strategic management alternatives are analyzed, cash flow projected, key indicators computed to address concerns and recommendations and ultimate selection, made wherefrom (Okiro 2006).

Johnson & Scholes (1999) notes that there exist three views of strategy development, that strategy should result from formalised strategic planning, is developed through the direction of an individual or group, but not necessarily through formal planning or is the result of deliberate development achieved by learning through doing. The planning view asserts that strategy development is a sequence of analytical and evaluative procedures to formulate an intended strategy and the means of implementing it. It includes setting objectives and goals, analysis of the environment and the resources of the organization so as to match environmental opportunities and threats with resource-based strengths and weaknesses. It includes the generation of strategic options and their evaluation and the planning of implementation through resource allocation processes and the structuring of the organization. The Power behavioral view or command view asserts that strategy develops through the direction of an individual or group, but not necessarily through formal planning. At the extreme, strategy could be seen as the product of an autocratic leader who brooks no argument and sees other managers as there to implement his or her decisions. The logical incremental view sees strategy development as the deliberate development of strategy by learning through doing. Managers have a view of where they want the organization to be in years to come and try to move towards this position in an evolutionary way. They do this by attempting to ensure the success and development of a strong, secure, but flexible core business. Building on the experience gained in that business to inform decisions about the development of the business.

Grant (1998) observes that there are two main approaches to strategy namely the rationalists "Design school" of strategy and the behaviourist "Process school". The design school view strategic decision making as a logical process in which strategy is formulated through rational analysis of the organization, its performance and the external environment. The strategy is then communicated to the organization and implemented down through successful organizational layers.

Johnson and Scholes (2002) note that the development and management of strategy can be viewed through the lenses of Design, Experience and Ideas. Design lens, view strategy development as the deliberate positioning of the organization through a rational, analytic structured and directive process. Strategic development is seen as a systematic thinking, reasoning and forecasting, about future impacts of industry conditions. The top management develops strategies that are then cascaded down logically. The Experience lens view strategy development as the outcome of individual and collective experience of individuals and the taken-for-granted assumptions. It suggests that more typically strategies develop in an adaptive fashion building on existing strategy and changing gradually. To this lens strategy is better understood in terms of continuity: once an organization has adopted a particular strategy, it tends to develop from within that strategy, rather than fundamentally changing direction (Johnson and Scholes 2002). The strategy may not be pre-planned in some grand fashion. It can develop on the basis of series of strategic moves, each which make sense in terms of previous moves. According to this view no organization could function effectively if it were to undergo major revisions of strategy. Any shift therefore is incremental and is seen as adaptation to the opportunities that arise in a continually changing environment. The third lens is the Idea lens which views strategy as emergence of order and innovation from a variety and diversity that exists in and around organizations.

The various views of strategy development in organisations must not be seen in isolation neither should they be perceived to be in conflict. They essentially provide different frameworks that have worked in the past and are acceptable among academics and practicing managers. The best view may be one or a combination of two or three or all. Each view has own strengths and weaknesses and may be best suited for a particular industry as opposed to another. A balance should thus be struck that incorporates the various views with the singular objective of attaining an approach that ultimately works.

2.5 Challenges of Strategy Development in Organisations

Different organisations operate under unique environments, different circumstances and realities. Organisations being open systems strive to fit to their unique circumstances so as to remain relevant. Strategy development is one mechanism among others used to adjust to a dynamic environment. The process of strategy development is itself an intricate process faced by various challenges.

Thompson and Strickland (1996) notes that every organization has a unique culture- its own history, its way of approaching problems and conducting activities, its own mix of managerial personalities and styles, its own patterns of "how we do things here", its own set of war stories and heroes and its own experiences of how changes have been instituted. The management team has a responsibility of realizing the challenge of striking a balance between the formulation process and the organization's culture (Thompson and Strickland 1996). The corporate culture dictates the few important beliefs which are widely held to be crucial for the success of a given organization. Such beliefs substantially drive the behaviour of people in an organization. It is often from the culture that corporate values emerge. Clear, common values provide guidelines for behaviour and a secure framework in which strategy development is possible. Karuri (2006) observe that an organisations culture provides the social context in which an organisation performs its work and interactions. She notes that managers are the ones who develop a strategic plan. It is therefore part of their leadership task that once strategy has been developed, they bring the company's culture into alignment with strategy and keep it there. Failure to do this, she warns may lead to high organisation resistance to change and de-motivation which in turn can frustrate the strategy implementation effort. Deshpande and Parasuraman (1986) note that the right corporate biology and the optimal balance of people and culture can mean the difference between success and failure. Participation of members of staff must thus be encouraged as a means to carry every one along. Strickland and Thompson (1996) observes that top management should devise a staff action plan which ensures a proper two way flow of information that gives relevant advise on issues of concern. Various functional groups with often conflicting interest and bargaining power have the opportunity to interact by freely expressing their realities and priorities.

Leadership is an integral factor of effective strategy development. Karuri (2006) defines leadership as the forces that make things happen. She sees leaders as giving the direction of the organisation through a vision of the whole picture of the organisation. Pearce and Robinson (2002) observe that the role of the Chief Executive Officer (CEO) and the assignment of key managers are critical to the success of strategy formulation. The CEO represents an important source of clarification, guidance and adjustment during formulation. Thompson and Strickland (1996) note that the strategy manager has many different leadership roles to play: chief entrepreneur and strategist, chief administrator, crisis solver, task master, figure head, head cheerleader, consensus builder, mentor, among others. Yukl (1994) noted that leadership is a major factor that distinguishes successful organisations from less successful ones. The leadership therefore provides guidance in making strategic choices.

Robins and Coulter (2002), defines an organisation's structure as the formal framework by which jobs tasks are divided, grouped and co-ordinated. They note that structure identifies the key activities within the firm and the manner in which they will be coordinated to achieve the firm's strategic purpose. They further note that an inconsistency between structure and strategy will lead to a disorder, friction and mal performance within the organisation. Management must thus incorporate regular job evaluation exercises as a means to ensure a strategy- structure fit to avoid discordance.

Resources often dictate the success of any strategy development process. Porter (1985) note that 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. Kiuna (2007) observe that resources need to be adequate for the planning team. Budgetary allocations thus indicate the management commitment to the strategic plan (Porter 1985). Resource availability is thus a key challenge to strategy development. Prudent mechanisms must thus be engaged by management to ensure adequate resource provision as a means to actualise strategy development.

David (1997) defines policies as the specific guidelines, methods, procedure, rules, forms and administrative practices established to support and encourage work towards stated goals. He observes that changes in strategy generally call for some changes in how internal activities are conducted and administered. In order to avoid conflict between policies and the strategy development process, Karuri (2006) suggests that managers need to be inventive in establishing policies that can supply support to a company's strategic plan.

Strategy development of organisations does not take place in a vacuum, it happens in a prevailing macro environment. The industry practices and national objectives have a role to play. Child and Smith (1987) noted that sector practices and norms combine to determine the path a firm must take for its future success. This compliments the assertion that organisations are indeed open systems. They are thus sensitive to the environment. Organisations must thus regularly conduct an industry analysis as a means to align their own strategy development process to industry realities. Ngumo (2006) notes that in today's world, organisations must be able to quickly create, deploy and implement breakthrough strategies that help them to continually anticipate and meet current and future customer requirements in a constantly changing environment. To compliment this, Kiuna (2006) observes that strategic planning process should not be rigid and should allow modifications to accommodate the more mature organisation. He further observes that when the senior management decides that there have been significant changes in external and internal factors, the vision or mission may need to be adjusted.

Oster (1995) noted that the mission of an organisation explicitly states the core values of the organisation or the founder of the business. The mission therefore establishes the fundamental scope of operations in terms of whether this is to be long term or short term, diversification, differentiation or focus, in this way influencing the strategic decisions of the firm. Okiro (2006) agrees when he notes that ownership structure of the organisation, mission and scope of the organisation indeed affects strategy development. He observes that non-profits organisations will tend to select strategies that are dissimilar to those of profit ones. Managers must therefore ensure that the strategy development process is in congruence to the mission and ownership structure.

Kiuna (2007) enumerates the various challenges of strategy formulation when he notes that the strategy formulation process, in many organisations, is usually faced by many challenges. These he names as politics, problems related to governance and resource management, declining support from development partners, delays in availing of funds on time and increasing conditions from development partners.

Challenges to strategy development will always be present, even in the most organised organisations. Challenges should thus not be viewed in the sense of failure to plan. The most important issue as a means to address challenges is scenario planning. Management must anticipate challenges so as when they eventual occur, management is not caught flat footed. Resources should thus be allocated to address anticipated challenges.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study employed a case study design. Mugenda (2003) defines a case study as an in-depth investigation of an individual, group, institution or phenomenon. Kothari (1990) sees a case study as a careful and complete observation of a social unit, a person, institution, family, cultural group, or an entire community and emphasizes depth rather than the breadth of a study. This design is considered appropriate because the objectives of the study involved an in depth investigation and understanding of the process of strategy development at the KICC and the inherent challenges.

3.2 Data collection

This study utilised both secondary and primary data. Secondary data was drawn from internal circulars, newsletters, articles and the KICC website. Primary data was collected from specific individuals in selected departments using personal interview guide (annex 1). The target respondents of the study were drawn from individuals considered to be playing a major role in strategy development. The chosen respondents therefore constituted the Chief Executive Officer (CEO), the General Manager Operations, the General Manager Sales and Marketing, ten Heads of Department and persons who are directly involved in the process. The top management team and Heads of each of the ten departments answered part A. Ten members of staff; one from each department answered part B.

The researcher personally interviewed the respondents (interviewees) and thereby enjoyed the opportunity to clarify issues. The following themes were focused on: strategy formulation at the KICC, challenges encountered in the process of strategy formulation at the KICC and how the KICC has responded to the challenges.

3.3 Data Analysis and Presentation

Data collected was analysed using content analysis. Mobisa (2007) defines content analysis as a set of procedures for collecting and organizing non structured information into a standardised format that allows one to make inferences about the research objective(s). The data analysis sought to establish how strategies are developed and the inherent challenges at the KICC. This involved comparing the collected data with the theoretical approaches cited in the literature review in an attempt to understand the process and the challenges.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Strategy Development at the Kenyatta International Conference Centre Corporation

The study revealed that, strategies at the Kenyatta International Conference Centre Corporation are formulated by the management team. The process of developing the strategies is systematic and structured. The process commences with the crafting of a vision and mission statement which are both in place. The vision of the corporation is to be the premier global centre of excellence in conference tourism whereas the mission is to provide globally competitive conference facilities and services that will surpass the client's expectations and maximize returns to stakeholders. An elaborate external and internal scanning process is then undertaken in a bid to understand the organization, the industry and the environment. The study revealed that various techniques are used to actualize this desire. The techniques used include SWOT analysis, PESTEL analysis and Stakeholder analysis. Inputs from various stakeholders are sought. Customers by way of customer surveys, members of staff by brainstorming and suggestion systems, parent ministry by way of aligning the organisational strategic plan to the Ministry of Tourism's Strategic Plan (2008/9 – 2012/3) which names the ministries objectives as increasing international visitors from 1.8 Million in 2007 to 3 Million in 2012, increasing average spending per visitor from Kshs.40, 000 in 2006 to Kshs.70, 000 by 2012 and treble annual national earnings from Kshs 65.4 billion in 2007 to Kshs.200 billion by 2012.

Further inputs are sought from Kenya's Vision 2030, the first Medium Term Plan (2008 – 2012), development strategies and aspirations contained in national, regional and international initiatives that have a bearing on Kenya's development. Every department and division is tasked to come up with own strategies which are then aligned to the overall corporate strategies. This is often done through the guidance of management consultants. This is in tandem to accepted practice as articulated by Kiuna (2007) who notes that the strategic planning process is oriented and focuses on the anticipated future and also looks at how the world could be different 5-10 years from now. He further notes that strategic planning is flexible and oriented towards the big picture while aligning an organisation with its environment. Kiuna (2007) additionally notes that strategic planning process involves three key initial steps namely:

- Formulation of mission and objectives

The mission statement describes the company business, vision and forward looking visionary goals that guide the pursuit of future opportunities.

- Environmental Scanning

Involves conducting an internal and external analysis of the firm (through SWOT analysis), performing an analysis of the firm's industry.

- Strategy Formulation

Involves several key activities of establishing a framework for the exercise and reaching a consensus on the objective, purpose and results so that it is appropriate.

The findings are further in agreement with David (2002) who 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.

The respondents were asked if the Kenyatta International Conference Centre Corporation (KICC) has a mission statement. The response obtained was that the KICC has a mission statement and clearly defined corporate directions in the form of vision statement and set core values to position KICC for future opportunities. There is a systematic approach and deployment of employee empowerment in which employees recite the vision, mission and core values in staff baraza in both English and Kiswahili. The mission is the fundamental unique purpose that sets an organization apart from other organizations of its type and identifies the scope of its operations. It provides a unifying theme for the organization and communicates a sense of what is to be achieved. For most organizations, the mission addresses the organization's business, the relationship between the organization and its stakeholder, its broad goals and expected performance (Hax and Majluf 1996).

The respondents were further asked to state the role of the mission statement in strategy formulation. The study found out that the mission statement espouses the organizational core values, defines its scope and mandate, guides formulation of strategies and spells its primary purpose and core activities. The mission statement postulates that the KICC will provide globally competitive conference facilities and services that will surpass the client's expectations and maximise returns to stakeholder. The study established that the mission statement espouses the KICC mandate which is to provide globally competitive conference facilities and services. It spells out expectations when it promises to surpass client's expectations and maximise returns to stakeholders. It commits the KICC to the global market and promises to be competitive in that market. The KICC systematically benchmarks its strategy development practices with international industry standards as a basis to premise quality and competitive services to clients. These include the Cape Town International Convection Centre and the Dubai Convection Centre.

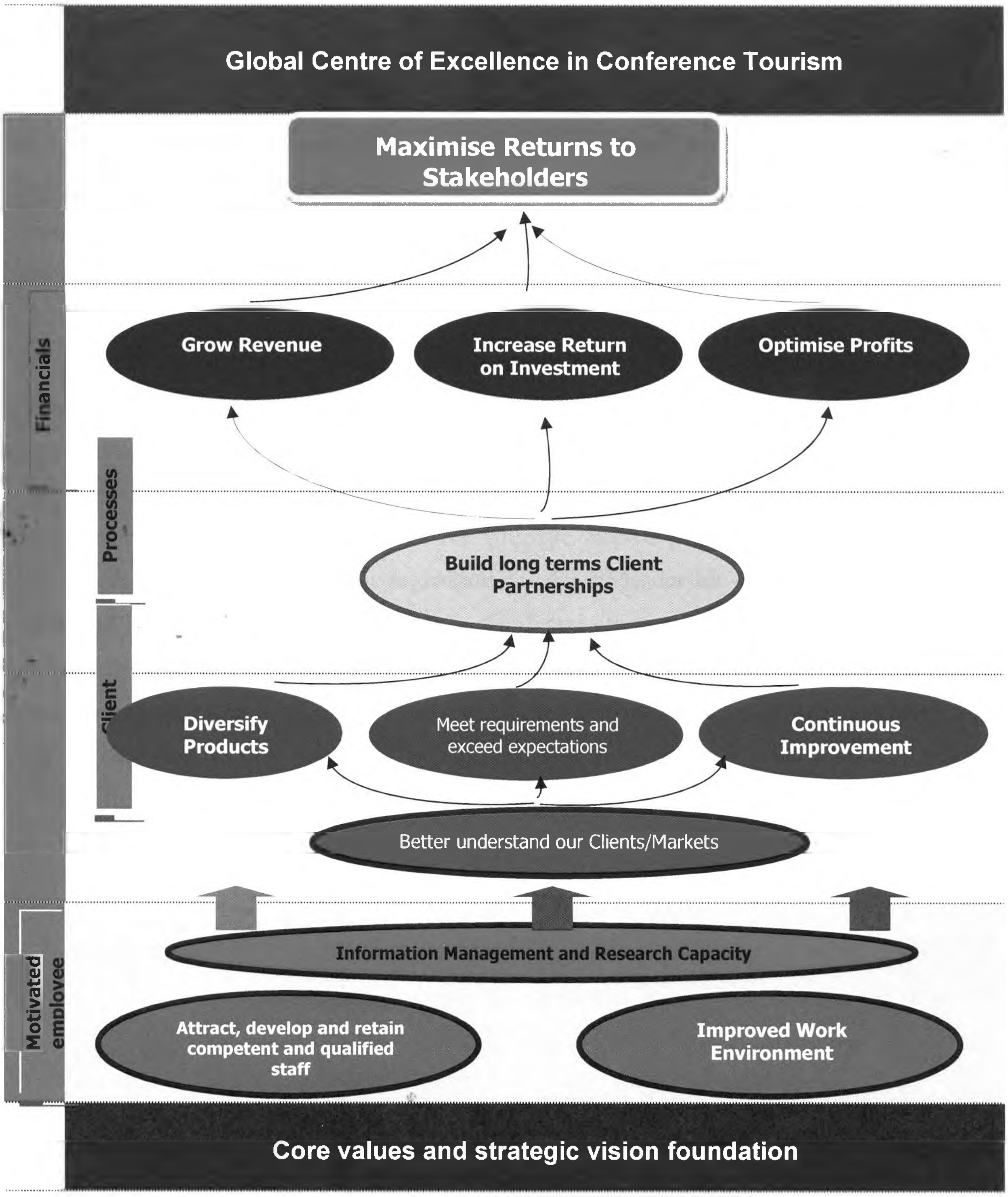
This is in agreement with Pearce & Robinson (1997) who notes that strategy helps in providing long term direction for an organization. This is realized through the organization's vision statement, mission, values, ethics and social responsibility. The mission sets out the "what", "where" and "how" of an organization.

The study revealed that the KICC extensively communicates strategies to employees. This is done through various mechanisms. The most effective and commonly used is the Managing Director's baraza which is held once every week. The forum affords opportunity to openly discuss on issues and strategies integral to the Corporation's success. Club 35 draws membership from employees and managers below the age of 35 years. The club provides an opportunity of communicating strategies by eliminating barriers, encouraging learning, innovation and achievement of KICC goals. Other forums used include departmental performance review meetings, divisional performance review meetings and staff orientation. The Corporation's practices an open door policy at all levels which helps augment the communication process.

On strategy formulation process the respondents noted that KICC uses bottom-up approach. Views of stakeholders are sought, discussions and brainstorming sessions are held at respective levels of management. The study established that brainstorming and suggestion systems are the most common participatory tools used to obtain views. During strategy and policy formulation, brainstorming meetings are held at the various levels so as to assess views from the stakeholders. Departmental meetings and suggestion systems are continuous participatory tools where by members of staff exchange information and give opinions on matters of policy and planning. According to the respondents, members of staff have gotten used to tackling problems and giving their opinions. They are critical, integrated and exhibit ownership of strategy and policy formulation in the organization. The management is involved in strategy formulation at functional levels after consultation with other stakeholders and members of staff.

The respondents were asked to state if the KICC is proactive or reactive in its approach to strategy formulation. The study found out that the organization is proactive in its approach to strategy formulation and programs. This is due to the need to remain relevant in an otherwise very competitive industry. This is further attributable to changing government policy and regulations governing management of state corporations. There is a deliberate focus on creating and balancing value for customers and other stakeholders in organizational performance. The Corporation has service charters systematically deployed in adherence to actualising promise to stakeholders. The proactive approach is best illustrated by figure. 3

Figure 3: Approach to Strategy Formulation by KICC



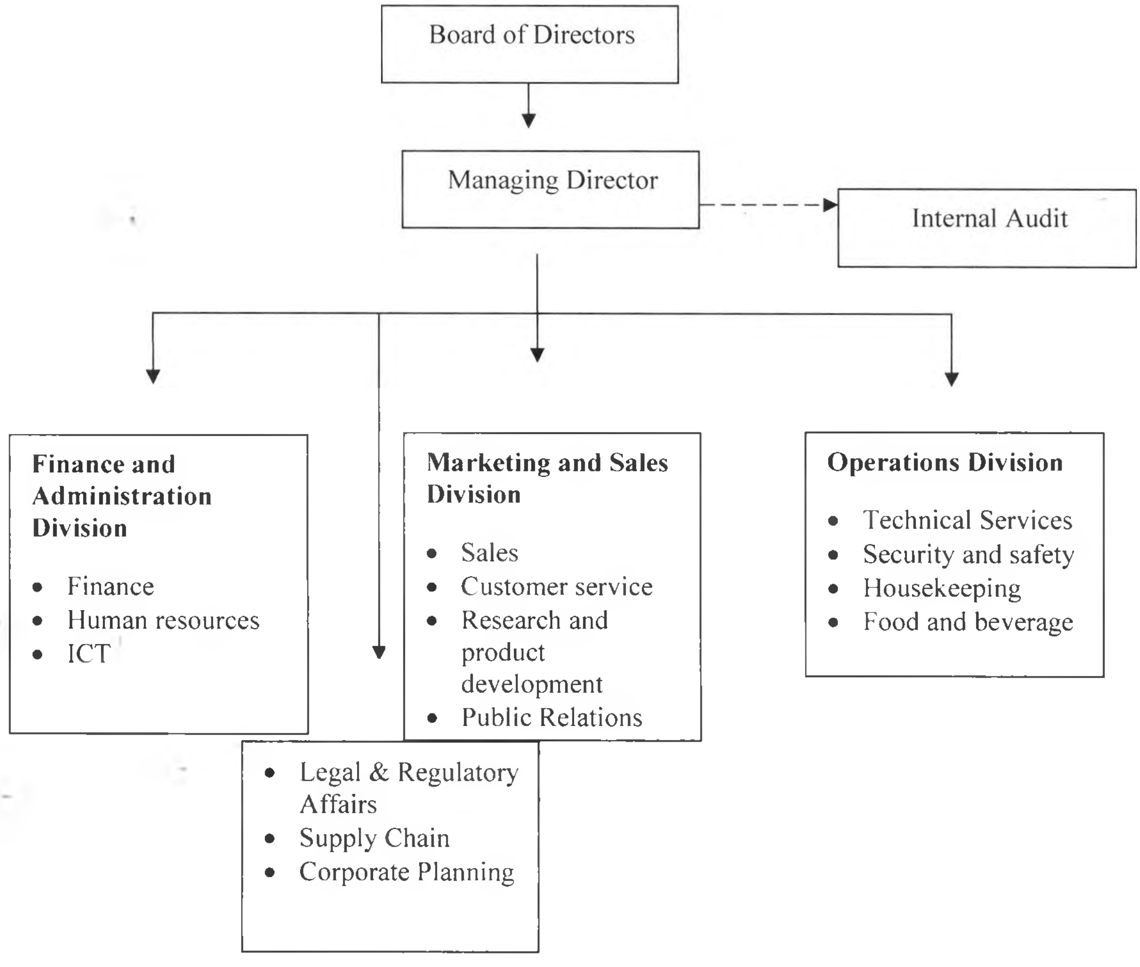
(*Source: KICC Strategic Plan 2008-2012, 2009*)

4.2 Challenges to Strategy Development at the Kenyatta International Conference Centre Corporation (KICC)

The interviewees were asked to identify challenges of strategy development at the Kenyatta International Conference Centre Corporation. The respondents identified organizational structure, inadequate resources, Lack of title to the envisaged Corporation's land, national politics and government decisions, alignment of organisational strategy to government strategy and poor communication as the main challenges facing strategy development practices at the Kenyatta International Conference Centre Corporation.

The study found out that the organizational structure of the KICC has been changed on one occasion since 2005 when the first strategic plan was launched. The first strategic plan was crafted when the KICC had just been established as a Corporation through the KICC order, 2004 contained in Kenya Gazette Supplement No. 45, Legislative Supplement No. 26 (Legal Notice No. 77) dated 9th July 2004. A flat structure worked perfectly well due to limited business activities. However, as the organisation under the leadership of the CEO, Mr. Philip Kisia and now Ms. Jennifer Opondo made significant progress in repositioning the Centre towards its defined mission and vision and in view of the changing paradigms in the tourism industry and the need for KICC to move in tandem with the changes, it was necessary to improve the organization structure. The structure was thus reviewed in early 2008 thereby creating three divisions as indicated in figure. 4.

Figure 4: Organisational Structure of the KICC



(*Source: KICC Strategic Plan 2008-2012, 2009*)

The Office of Managing Director is responsible for providing strategic direction, visionary leadership and coordinating the implementation of all activities of KICC in line with policies approved by the Board of Directors. There are three departments under the Office of Managing Director namely Legal and Regulatory Affairs, Supply Chain and Corporate Planning. The Marketing Division is responsible for identifying and prioritizing the Corporation's marketing needs, developing and implementing appropriate marketing strategies, developing long term and short term plans in order to achieve the agreed targets in line with the Strategic Plan. The Finance and Administration Division ensures provision of efficient and effective leadership and policy guidance in the financial, human resource and ICT management. It coordinates the establishment of sound financial policies, systems and procedures in compliance with statutory regulations and designs and implements internal control procedures. It is also charged with the maintenance of records and production of financial reports. The three departments within the division are Finance, Human Resources and ICT. The Operations Division is charged with developing, implementing, coordinating and monitoring the Corporation's operational policies, strategies and projects. It also ensures operational programmes/projects are actualized in accordance with the Corporation's Strategic Plan. The division consists of three departments namely Technical Services, Housekeeping and Security and Safety. The Internal Audit Department is responsible for carrying out financial audits to ensure the prepared financial statements reflect a true and fair view of the state of the Corporation's operations. The department also reviews the existing systems of operations to determine whether adequate controls exist and operations are undertaken according to the laid down procedures. The department conducts revenue spot checks on a regular basis, to detect any resource leakages and suggests recommendations for improvement.

The study found that the structure was tall, mechanistic and bureaucratic. It is more concerned about own rules and not value to the customer. The structure is not compliment to the strategy development process and is almost at variance to the strategy of positioning the KICC as the Africa's premier meeting venue. Pearce and Robinson (2004) agree with this finding when he notes 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. Kariuki (2004) in his research findings noted that organizations implement their strategies through their organizational structures.

The financial costs inherent in achieving the targets as envisaged by the vision and mission statement are enormous. This means that there is need to devise new ways of financing the various aspects of the Strategic Plan beyond the current levels. This requires innovation, creativity and relative autonomy on the part of KICC to fund raise beyond the traditional sources of funds. The Corporation operates two main types of expenditure namely recurrent and development expenditure. KICC is self dependent on recurrent expenditure. However, it is heavily dependent on Government funding for development expenditure. With the Government of Kenya reducing funding of development projects to State Corporations, most of the projects envisaged in the plan will not be implemented. There is thus need for the Corporation to diversify its sources of financing to make it more independent of Government funding. The successful development and implementation of it's strategies, therefore depend not only on the quality and commitment of the Corporation staff but also on the availability and efficient utilisation of resources. The total estimated budget to finance the the Corporation strategies for the five year period ending 2012 is Kshs.17.4 Billion (KICC Strategic Plan 2008-2012, 2009). The Corporation expects to finance this budget through the Public - Private sector partneships, Treasury grants and other sources. This finding is in tandem to the assertion by Porter (1985) who notes that 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. Kiuna (2007) observe that resources need to be adequate for the planning team. Resource availability is thus a key challenge to strategy development.

The study revealed that despite Government repossessing the KICC building, the Title Deed to the land on which KICC stands still is in the name of the trustees for Kenya African National Union (KANU). This makes is difficult to implement the modernization and expansion projects without having the Corporation holding title to the envisaged land. This severely complicates the strategy development process and was considered a major challenge by the respondents.

Tourism is an integral component of the Kenyan economy. Every government as such takes a position on how to improve earnings from this very important sector. The KICC being a player in conference tourism is thus impacted by the politics of the day. The study confirmed that politics affect the strategy development process at the KICC. In early 2008, the KICC had embarked on international marketing efforts to tilt its focus market from local to international. This efforts had infact started bearing fruits until the politics of the day (post election violence) dealt a major blow to this strategy. This occasioned cancellation of various high profile meetings including the International Postal Union meeting that was slated for August 2008. This agrees with findings by Njiru (2008) who identifies challenges to state corporations to include politicization and poor corporate governance, fragmented institutional framework in the tourism sector State Corporations, inadequate budgetary allocation and negative publicity affecting marketing efforts.

The study further revealed that the organisation's first Strategic Plan (KICC 2005-10, 2005) was not aligned to the overall Government strategic direction and plan period. The plan did not take into account that the Economic Recovery Strategy for wealth and employment would expire in December 2007. The launch of Kenya Vision 2030 necessitated the need to re-align the strategic plan hence some activities that had been earmarked to be carried out in June 2010 in the plan had to be carried forward to the re-aligned Strategic Plan, KICC Strategic Plan 2008-2012, 2009.

Though the KICC is committed to the principle of participation by stakeholders, there is often the challenge in ensuring that all stakeholders' views are utilized. This is because there is no clear laid down procedure to achieve this and therefore leaving it entirely on the good will of the board of directors and the management. The study found out that, communication among the various stakeholders was poor and a major impediment to the strategy development process.

4.3 Addressing Challenges of Strategy Development at the Kenyatta International Conference Centre Corporation (KICC)

The respondents were asked to explain how the KICC has responded to the challenges of strategy formulation at the organization. Most respondents felt that KICC has responded adequately to the challenges faced by the organization in its strategy development process.

To ease formulation process in respect to structure, the study revealed that the KICC has committed to undertake a second job evaluation exercise with a view to review the current structure in a bid to make it more responsive to its strategy development practices. The organization has re-designed job specifications and descriptions for most posts so as improve efficiency and effectiveness. Some of the functions have been outsourced while some posts have been merged as part of the restructuring process. According to the respondents, most of the restructuring objectives have been met.

To address the issue of financial resources, the KICC has acknowledged the challenge in the KICC Strategic Plan 2008-2012, 2009. The plan notes 'It is clear that the magnitude of the costs inherent in achieving the targets as outlined in this Strategic Plan requires financial resources beyond the current available resources'. The plan further observes that there is need to devise new ways of financing the various aspects of the Strategic Plan beyond the current levels. The plan estimates Kshs.17.4 Billion as required to implement developed strategies for the next five year period. The Corporation expects to finance this budget through the Public - Private Sector Partneships and Treasury grants. The Corporation has committed to engage a consultant to advice on the feasibility of pursuing Commercial loans, Infrastructure bonds, Asset financing and Public-Private and Public-Public Partnerships in order to diversify and strengthen its revenue base. Other measures that the Corporation is undertaking include linking budgeting and planning through Medium Term Expenditure Framework (MTEF) and MPER processes, prudent management through activity-based budgeting and enforcement of efficient use of supplies and other resources.

The address the vital issue of land ownership, the Corporation has been subject to a legal case between the Government and the former ruling party KANU. The case was ruled in favour of the Government. The Corporation is currently lobbying the Government to begin the process of having the current Title Deed cancelled and a new one issued in the name of the KICC Corporation.

To address the issue of national politics and government decisions and alignment of the organisational plan to the Government general direction, the organization engages the parent ministry and stakeholders in discussions to enlighten them on conference tourism. The mission statement acknowledges the significance of stakeholders and the organisation has ensured that all stakeholders participate in the strategy formulation process. This helps in building support. The study found out that KICC has embarked on awareness creation and marketing the organization to stakeholders and potential customers and the public in general. This is geared towards increasing awareness about conference tourism. The organisation undertakes a detailed stakeholder analysis in order to understand stakeholder expectations. The organisation then develops strategies to meet the expectations in a bid to win support. Tabulated in Figure 5, is the most recent stakeholder analysis:

Fig 5: KICC Stakeholder Analysis

STAKEHOLDER	*STAKEHOLDER EXPECTATIONS*
1. Government *(Ministry of Tourism)*	• Increased number of conferences and exhibitions • Contribution to exchequer • Well managed organization • Well managed meeting venue
2. MICE delegates *(Domestic and International)*	• Efficient service delivery • Improved facilities

	• Timely provision of accurate information • Safety
3. Sister Corporations a. Bomas of Kenya b. Catering and Tourism Development Levy Trustees c. Kenya Tourist Board d. Kenya Tourism Development Corporation e. Kenya Utalii College	• Support and collaboration
4. City Council of Nairobi	• Delegate spend contribution to the City • Participation in event bidding
5. Suppliers	• Prompt payment and information • Fair competition
6. Media	• Accurate and reliable information
7. Staff	• Conducive working environment • Favorable terms of service and career progression • Stable and progressive organization • Job security • Increased training and development opportunities
8. Airlines and Travel Firms	• Increased number of business travelers
9. Hotels and Conference Facilities	• Collaboration on promotion of conference tourism • Wealth generation
10. General Public	• Well managed facility • Good governance and ethical practices

(*Source: KICC Strategic Plan 2008-2012, 2009*)

The organisation has aligned the organisational strategic plan to the overall Government strategic direction and plan period. This resulted in the current KICC Strategic Plan 2008-2012, 2009.

According to the interviewees, KICC has encouraged positive criticism. Members of staff are encouraged to engage in discussions and give comments in meetings and barazas on how to make KICC better. This has led to improved communication and self expression among members of staff and management. The management team now responds to issues raised and the members of staff have a sense of ownership of the changes as they participate in creating and implementing them. The respondents noted that communications has become more direct and horizontal instead of up and down through the structural hierarchy. This has been done through better communication, emphasis on team building as opposed to individual performance, staff attitude survey and involving the staff in redefining the organization mission statement and core values. The organization uses effectively Information Technology to facilitate quick exchange of information between departments. The organization has invested greatly in use of technology by putting in place information systems such as electronic mail links throughout all offices.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The study revealed that, strategies at the Kenyatta International Conference Centre Corporation are formulated by the management team. The process of developing the strategies is systematic and structured. The process commences with the crafting of a vision and mission statement which are both in place. An elaborate external and internal scanning process is then undertaken in a bid to understand the organization, the industry and the environment. The study revealed that various techniques are used to actualize this desire. The techniques used include SWOT analysis, PESTEL analysis and Stakeholder analysis.

Inputs from various stakeholders are sought. Customers by way of customer surveys, members of staff by brainstorming and suggestion systems, parent ministry by way of aligning the organizational strategic plan to the Ministry of Tourism's Strategic Plan. Further inputs are sought from Kenya's Vision 2030 and the first Medium Term Plan (2008 – 2012), and development strategies and aspirations contained in national, regional and international initiatives that have a bearing on Kenya's development. Every department and division is then tasked to come up with own strategies which are then aligned to the overall corporate strategies. This is often done through the guidance of management consultants.

The study identified organizational structure, inadequate resources, national politics, government decisions and poor communication as the main challenges facing strategy development practices at the Kenyatta International Conference Centre Corporation.

5.2 Conclusion of Study

The Kenyatta International Conference Centre has embraced good strategy development practices that have helped position it as a major player in the conference tourism sector. It faces various challenges in the process, to which it has adequately addressed. Strategy development is not an end in itself; it is merely a bridge to a desired end state. It must therefore be realistic and pragmatic.

For successful strategy development there is need to align the organisational structure to the strategy being developed. Resources need to be adequate for the planning team. The organisation should be capable of holding and alienating movable and immovable property and have all the power necessary or expedient for the performance of their respective functions. The organisation must lobby stakeholders to ensure that stakeholder expectations are realistically met. Such an organisation must be open to criticism to ensure communication of the envisaged strategy.

5.3 Limitations of the Study

The time available for the study was short. This constrained the scope as well as the depth of the research. Difficulties were experienced in securing a face-to-face interview with some the targeted respondents because of their busy schedule.

5.4 Suggestions for Further Research

No research is ever an end in itself. The contribution of this research is limited and thus the need for further research. From the insight gained in the course of the study there may be need to conduct further research on (1) Strategy Development Practices in other State Corporations in Kenya and East Africa (2) Carry out a replicative study after some time (3) Strategy Implementation at the Kenyatta International Conference Centre Corporation

5.5 Recommendations for Policy and Practice

There is need to align the organisational structure to the strategy being developed. This will help reduce disorder, friction and poor performance within the Corporation. In addition, 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.

Furthermore, the Corporation need to ensure that future strategy formulation should ensure maximum stakeholder participation. This will guarantee ownership and support of the final strategic plan.

The resources required for successful strategy development should be readily available and ensure that it is adequate.

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APPENDIX 1: SAMPLE LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS STUDIES

DEPARTMENT OF BUSINESS ADMINISTRATION

MBA PROGRAMME-LOWER KABETE CUMPUS

TEL:

P.O BOX 30197

NAIROBI, KENYA

DATE..................

TO WHOM IT MAY CONCERN

The bearer of this letter...

Registration No...

Is a Master of Business Administration student at the University of Nairobi. He is conducting a case study of the Kenyatta International Conference Centre Corporation titled strategy development practices to establish the process and inherent challenges.

This information is purely for academic purposes and a copy of the findings will be availed to you upon request. Any information received will be treated with strict confidentiality and at no point will your name be mentioned in the final report.

Your cooperation will be highly appreciated.

Thank you

Prof. E. Aosa.

APPENDIX 2: INTERVIEW GUIDE

PART A: STRATEGY FORMULATION PROCESS AT THE KICC

Interviewee Name (Optional): ....

Position: ....

1. (a) Who formulates strategies in the KICC?

   (b) How is this done?

2. Does the KICC have a mission statement?

   What function does your mission statement serve in strategy formulation?

   Who takes part in the mission setting process?

3. How are the strategies formulated tailored to fit each function's unique needs?
4. Has KICC enlisted consultants to advice on strategy formulation?

5. (a) Are strategies communicated to all employees in the organization?

   (b) If YES, how is this done?

6. In your opinion is strategy formulation in KICC a reaction to the environmental pressure or do you think the management is proactive?

7. Does each function have its own functional strategies?

   If YES, where are they derived from? (e.g. strategy plans, management meetings)

8. What is the role of KICC management in the formulation process?

9. Are staff views sought before a strategy is chosen?

If YES, which participatory tool is used to obtain views (e.g. brainstorming, suggestion systems, quality circles, etc)?

10. What in your opinion are the challenges of strategy formulation at the KICC?

11. How has the KICC responded to those challenges?

PART B: FOCUS GROUP DISSCUSSION GUIDE

1. How were you involved in the strategy formulation process?
2. What aspects of the KICC in particular do you feel need to be changed to ensure successful strategy formulation?
3. Do you have a sense of ownership in strategies being utilized by the KICC?
4. If NOT, what do you think should have been done to make it better?
5. How do you view the chain of command in KICC?
6. Do you think the resources given are commensurate the needs on the ground?
7. In your view how has the KICC responded to the challenges of strategy formulation