

**Challenges of Strategy Implementation at NASSEFU
Cooperative Savings and Credit Society Limited**

BY:

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fulfillment of the requirements for the award of the
degree of Master of Business Administration,
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DECLARATION

This Research study is my original work and has not been presented for award of Master of Business Administration in any other institution of higher learning. No part of this research should be produced without my consent or that of University of Nairobi.

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Signature..........Date.....11-11-2010.

This management project has been submitted for examination with my approval as the University of Nairobi Supervisor.

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DEDICATION

This research project is dedicated to my family, my wife Nancy C Langat and my two sons for their moral support, patience and understanding without which this project and course could not have succeeded.

ABBREVIATIONS

SACCO	Savings and Credit Co-operative.
KUSCO	Kenya Union of Savings and Credit Cooperative.
FOSA	Front Office Service Activity
ICA	International Co-operative Alliance.
SASRA	Sacco Societies Regulatory Authority
NSSF	National Social Security Fund
AGM	Annual General Meeting
ICT	Information Communication & Technology
IT	Information Technology

ABSTRACT

The government after independence adopted a development philosophy emanating from the traditional African socio-economic lifestyle in Sessional Paper No. 10 of 1965, which articulated the role of African socialism in development planning. In this development strategy, co-operatives were seen as very important tools for development. Due to this political alignment, the co-operative movement realized very rapid growth between 1964 and 1990. Strategic management consists of three stages of formulation, implementation and evaluation. Strategy implementation is considered the most difficult stage in strategic management as it requires commitment and sacrifice among various stakeholders. The study sought to determine the challenges facing NASSEFU Co-operative Savings and Credit Society in strategy implementation. Strategy implementation is tough, time consuming and faces resistance because people fear the implications. Being a case study, the researcher utilized an interview guide for more comparability and the interviewer's neutrality. Data collected was analyzed using content analysis because of its qualitative nature. The Chairman and Treasurer of the Board of Directors, Chairman of Oversight Board and the General Manager who co-ordinate formulation and implementation of strategy were chosen to participate in the study to avoid duplication of data had more interviews been undertaken. Primary data was collected using an interview guide. Content analysis was used to analyze the data which confirmed challenges faced by NASSEFU in strategy implementation as leadership, financial resources, organization structure, culture, communication, reward system, power & politics, and change management process.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

This chapter defines the general area under study that call for a need to investigate in order to determine a solution. It is organized into sub-headings which include background of the study, strategy implementation, NASSEFU Co-operative Savings and Credit Society Limited, statement of the problem, objective of the study, and value of the study.

1.2 Background of the Study

According to Pearce & Robinson (2007), strategic management is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve an organization's objective via formulating mission, developing profile, assessing external environment, analyzing options, selecting the most appropriate option, developing long range objectives, implementing strategic choices by means of budgeted resource allocations and evaluating success of the strategic process as an input for future decision making, while David (1997) defines it as "the art and science of formulating, implementing and evaluating cross-functional decisions that enables an organization to achieve its objectives". Good strategy implementation requires creating strong fits between strategy and organizational capabilities, between strategy and organization's climate and culture, between strategy and reward, between strategy and operating systems. The stronger the fits, that is, the more the company's capabilities, culture, reward structure, and internal operating systems facilitate and promote proficient strategy implementation, the better the implementation and the higher the company's odds of achieving its performance targets (Thompson *et al* 2006).

Managing the implementation and execution of strategy is operations oriented, a make-things-happen activity aimed at shaping the performance of core business activities in a strategy supportive manner. It is the most demanding and time consuming part of the strategy management process. Converting strategic plans into actions and results, tests a manager's ability to direct organizational change, motivate people, build and strengthen company competencies, competitive capabilities, create a strategy supportive of work climate, and meet or beat performance targets (Thompson *et al* 2006). All these pose a big challenge to the success of strategy implementation.

1.2.1 Strategy Implementation

Strategy formulation is the beginning of a challenging and delicate task where leaders cannot afford to be abstract or desk oriented, but at the forefront in dealing with sensitive issues involved in strategy implementation such as resource mobilization, restructuring, culture changes, technological changes, process changes, policy and leadership changes. If implementation is not effectively managed, the strategic plan may amount to nothing. Strategy may be good but if its implementation is poor, the strategic objective for which it was intended will not be achieved. A well developed strategy coupled with proper execution will result in the firm's success. While implementation of strategy is such an important activity, it is not easy, and should be effectively operationalized and institutionalized in the organization for effective implementation (Johnson 1987).

Strategy implementation is the process by which strategies and functional policies are put into action through the development of action plans, goals, programmes, budgets, procedures, structures, cultures, motivation, communications, leadership, allocation of resources, working climate and enforcement. Thus, it is inward looking and calls for the use of managerial and organizational efforts to direct resources towards accomplishing strategic results. It involves converting the strategies into actions, and then into results. Strategy implementation is said to be successful if the organization achieves its mission and objectives through the envisaged functional policies. As a process, it is concerned with monitoring the effectiveness of objectives and functional policies towards attainment of the mission and it is primarily the function of employees of the firm. It is apparent then that whatever nature of the decision and the level in the organization at which it is taken, the decision will only be regarded as effective if it is supported by the people who must implement, and if it achieves the objectives it is related to (Sababu 2007).

Positions of authority and responsibility are important in strategy implementation, but also important are the people in those positions. These must be people with leadership qualities who can influence action towards the desired direction. The influence depends on the leader's personality, style, commitment, reputation, attitude and aptitude, skills and experience. Strategy implementation requires leaders who can influence members of the organization to focus their effort in the same direction, for example, unity of direction through teamwork or team spirit. A Chief Executive of a company and his management team, for example, should be at the forefront providing the necessary leadership.

Transformational leaders rather than conservative leaders are required for strategy implementation because strategy implementation involves change. A transformational leader is one who is always on the move for change i.e. “thinks, talks, and dreams of change all the time” (Sababu 2007).

The leadership should provide a vision, initiative, motivation, and inspiration in steering the organization to undertake changes required in strategy implementation. The Chief Executive should cultivate team spirit and act as a catalyst in the whole strategy implementation process. The other managers need to team up with the CEO in implementing strategy. Their motivation and commitment to the strategy greatly enhances successful implementation. Implementation of strategy may require leadership changes through transfers, retirements, demotions, promotions, hiring, and training. Some of these are necessary to pave way for the desired leadership (Yabs 2007).

Corporate culture (set of common values, attitudes and beliefs that members share) of the organization need to be compatible with the strategy being implemented, when culture influences actions of employees to support current strategy, implementation is strengthened. More often, organizational culture is not compatible with strategy because of mistrust and suspicion, therefore, making implementation difficult. Organizational leadership and management’s role is to align the organization culture with strategy (Pearce & Robinson 2007).

1.2.2 NASSEFU Co-operative Savings and Credit Society Limited

A co-operative society is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations. It is a jointly owned and democratically controlled enterprise. Co-operatives have internationally accepted principles which are guidelines by which co-operatives put their value into practice. These principles are voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for community (Manyara 2001). The co-operative movement was started in the 19th century in Europe and at around the same time in Germany, France and Britain. The co-operative movement has been associated with the Rarffeism, Fairier and Owen in Germany, France and Britain, respectively (Ouma 1990). The movement is traced to the Rochodale Equitable Pioneers Society in 1844; it started trading on 21st December 1844 now recognized as the birth date of the co-operative movement. This society was made up of a group of cotton weavers and other workers on Rochodale Lancaster who met together to trade under the name of the society. Their success inspired the creation of other societies. Rochodale Equitable Pioneers Society had a vision of better social order that inspired its members to organize themselves into an association. Their chief objective was to form arrangements to better the social and domestic conditions of its members (Ouma 1990).

NASSEFU Co-operative Savings and Credit Society was registered under the Co-operative Societies Act in August 1990 and issued with a Registration Certificate No. C6070. The sponsors were members of staff of National Social Security Fund (NSSF) that had become an autonomous parastatal in 1989. It currently has over 2,100 members drawn from NSSF, Nairobi Christian Church, Hope Worldwide and Resort Kenya Limited. Since inception, NASSEFU's financial and operational activities have continued to grow by leaps and bounds in terms of membership, savings mobilization, credit granting, product diversification and service delivery. In recognition of the dynamic and the ever changing macro economic environmental factors which are beyond their control, the society embarked on an ambitious programme to automate and computerize its operations and services. To further help realize members' needs and expectations, the first five-year strategic plan was developed in 2003 and subsequently followed by a second five-year plan in 2008. This therefore means that strategic management is a recent phenomenon at NASSEFU. To remain a relevant, vibrant Sacco that offers efficient and personalized service to members and enhance society's corporate image, there is need to adopt modern methods of strategic management with special emphasis on strategy implementation.

The passing of the Sacco Societies Act No. 14 of 2008 established Sacco Societies Regulatory Authority (SASRA) which is empowered to license, regulate and supervise deposit taking Sacco Societies. Management of Saccos shall radically change for the good of its members. The Act requires all Sacco Societies carrying out deposit taking business to comply with the set rules and regulations and report to Sacco Societies Regulatory Authority. In the context of the Act, those Sacco Societies already operating

Front Office Service Activity (FOSA) are to apply for licenses from SASRA by 17 June 2011. However, those Sacco Societies intending to operate FOSA shall apply for license from SASRA under section 23 of the Act and regulation 4(2). Before licensing, SASRA will ensure that institutional infrastructure or business premises appropriate for deposit taking Sacco business are in place. These include, but not limited to, a banking hall, adequate working space, physical security measures and a strong room and a safe.

The Sacco Society's information management system must be capable of performing and accounting for all transactions and providing the minimum reports required by the authority in an accurate and timely manner. The system should be operationally integrated to provide adequate security including data back up. Sacco Societies face constant risks in the course of their business. These include credit, liquidity, interest rate, operational, reputation and regulatory risks. The authority will require Sacco Societies to develop risk management policy framework addressing each of the identified risk. Risk management policies and other internal control measures must guide in the definition of roles and responsibilities of the board and management in the development, implementation and review of the risk management systems, adequate policies, procedures and limits, risk monitoring and information systems, adequate internal controls and audit specific to each risk area.

1.3 Statement of the Problem

Strategic management help organizations to gain and sustain competitive advantage and be more proactive rather than being reactive in coping with changes in the competitive environment by executing formulated strategies (Covey 2004). The competitive and ever changing macro environment requires commitment, sacrifice and effective organizational structure. Previous studies show that strategy implementation is considered the most difficult stage in the strategic management process because to execute strategy is to implement change at all levels of organization.

NASSEFU faces challenges in strategy implementation which is manifested in poor corporate governance, negative organizational culture, and lack of understanding of strategy, poor communication and poor leadership. Strategy implementation has started getting attention from a number of companies leading to a number of research studies being carried out over the years. These include Strategy Implementation and Its Challenges in NGOs in Kenya, a Case Study of AMREF (Muthuiya 2005), Challenges Facing K-REP Bank in Implementing Strategic Plans (Benson 2006), Challenges of Strategy Implementation at Kenya Industrial Estates (Ochanda2006), Challenges of Strategy Implementation in the Scripture Union of Kenya (Nguma 2006), Challenges for Strategy Implementation in Barclays Bank Limited (Githui 2006), and Challenges Faced by the University of Nairobi in Implementing Competitive Strategies (Oyugi 2007). However after reviewing other studies done in the past none was found to have been conducted on the challenges of strategy implementation at NASSEFU Co-operative Savings & Credit Society Limited. The study therefore seeks to bridge the existing gap

by establishing challenges facing strategy implementation at NASSEFU Co-operative Savings & Credit Society Limited and make recommendation on the way forward.

The study aims at getting information to address the following questions:

1. What are the challenges to strategy implementation at NASSEFU?
2. What are the factors that influence strategy implementation at NASSEFU?

1.4 Objective of the Study

The objective of this study is to determine the challenges NASSEFU Savings and Credit Co-operative Society Limited faces in strategy implementation.

1.5 Value of the Study

The findings of this study will assist leadership and management of NASSEFU Savings and Credit Co-operative Society Limited in solving the problems encountered in strategy implementation. Further, the results will provide valuable information and an in-depth understanding of broad and specific challenges the Sacco is facing in its efforts of executing its strategic plan. The findings will also add to the pool of knowledge which can be utilized by researchers and research institutions, academicians, Government agencies and scholars. Finally, Saccos will be able to develop better systems, policies and structures to improve efficiency and effectiveness in service delivery using recommendations suggested.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is devoted to review of literature related to development of strategic management, strategic management concept, strategy implementation and challenges of strategy implementation.

2.2 Concept of Strategy Implementation

Strategy formulation is the beginning of a challenging and delicate task where leaders cannot afford to be abstract or desk oriented, but at the forefront in dealing with sensitive issues involved in strategy implementation such as resource mobilization, restructuring, culture changes, technological changes, process changes, policy and leadership changes. If implementation is not effectively managed, the strategic plan may amount to being mere “white elephant” and nothing more. Strategy may be good but if its implementation is poor the strategic objective for which it was intended will not be achieved. A well developed and executed strategy will result in the success of the firm’s operations. While implementation of strategy is such an important activity, it is not easy. Hence strategy should be effectively operationalized and institutionalized in the organization for effective implementation (Johnson 1987).

Strategy implementation is the process by which strategies and functional policies are put into action through the development of action plans, goals, programmes, budgets, procedures, structures, cultures, motivation, communications, leadership, allocation of resources, working climate and enforcement. Therefore, strategy implementation is

inward looking and calls for the use of managerial and organizational resources to direct resources towards accomplishing strategic results. It involves converting the strategic plan into action and then into results. Strategy implementation is said to be successful if the organization achieves its mission and objectives through the envisaged functional policies. As a process, it is concerned with monitoring the effectiveness of the objectives and the functional policies towards the mission and it is primarily the function of employees of the firm. It is apparent then that whatever nature of the decision and the level in the organization at which it is taken, the decision will only be regarded as effective if it is supported by the people who must implement, and if it achieves the objectives it is related to (Sababu 2007).

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Positions of authority and responsibility are important in strategy implementation, but also important are the people in those positions. These must be people with leadership qualities who can influence action towards the desired direction. The influence depends on the leader's personality, style, commitment, reputation, attitude and aptitude, skills and experience. Strategy implementation requires leaders who can influence members of

the organization to focus their effort in the same direction, for example, unity of direction through teamwork or team spirit. A Chief Executive of a company and his management team, for instance, should be at the forefront, providing the necessary leadership. Transformational leaders rather than conservative leaders are required for strategy implementation because strategy implementation involves change. A transformational leader is one who is always on the move for change i.e. “thinks, talks, and dreams of change all the time” (Sababu 2007).

Leadership should provide a vision, initiative, motivation, and inspiration in steering the organization to undertake changes required in strategy implementation. The Chief Executive should cultivate team spirit and act as a catalyst in the whole strategy implementation process. The other managers need to team up with the CEO in implementing strategy. Their motivation and commitment to the strategy greatly enhances successful implementation. Implementation of strategy may require leadership changes through transfers, retirements, demotions, promotions, hiring, and training. Some of these are necessary to pave way for the desired leadership (Yabs 2007).

Strategy implementation is an integrated process that involves allocation of resources to support chosen strategies. It includes various management activities that are necessary to put strategy into motion, institute strategic controls that monitor progress and ultimately achieve organizational goals. To effectively direct and control use of firm’s resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards and control systems are essential strategy implementation ingredients (Pearce & Robinson 1998). Higgins pointed out that

almost all the management functions of planning, controlling, organizing, motivating, leading, leading, directing, integrating, communicating and innovation are in some degree applied in the implementation process. Good strategy implementation requires creating strong fits between strategy and organizational capabilities, between strategy and organization's climate and culture, between strategy and reward, between strategy and operating systems. The stronger the fits, that is, the more the company's capabilities, culture, reward structure, and internal operating systems facilitate and promote proficient strategy implementation, the better the implementation and the higher the company's odds of achieving its performance targets (Thompson *et al* 2006).

2.3 Challenges of Strategy Implementation

Strategy implementation is critical to success, it represents a disciplined process or a logical set of connected activities that enables an organization to take a strategy and make it work. Without a carefully planned approach, strategic goals cannot be achieved. Developing such a logical approach, however, represents a formidable challenge to management. A host of challenges which are either internal or external to the organization routinely get in the way at strategy implementation stage. These challenges are discussed under various sub-headings below.

2.3.1 Leadership

Leadership is about coping with change. It has become so important in the recent years because the business world has become more competitive and more volatile. The net result is that doing what was done yesterday, or doing it five percent better is no longer a formula for success. Major changes are more and more necessary to survive and compete effectively in this new environment. More change always demands more leadership (Kotter 1990). Organizational leadership is the process and practice by key executives of guiding and shepherding people in an organization towards a vision over time and developing that organization's future leadership and organization culture. Organizational leadership then involves guiding the organization to deal with constant change by embracing change through strategic intent, clarification and providing the management skill to cope with the ramifications of constant change. Leadership challenge is to galvanize commitment among people within an organization as well as stakeholders outside the organization to embrace change and implement strategies intended to position the organization to succeed in a vastly different future (Pearce & Robinson 2007). Leadership is the ability possessed by some individuals to influence others to behave and do certain things as directed. This is usually provided by the CEO of the firm assisted by a team of managers. CEO wields a lot of power in influencing the choice of a strategy and its implementation. The success of the strategy implementation as well overall performance depends largely on the efforts of the CEO (Yabs 2007). The challenge is if the CEO and others in management positions possess the characteristics such as leadership skills, appropriate character, relevant experience and capabilities to accomplish the intended objectives of the company.

2.3.2 Financial Resources

Strategy implementation and execution requires managers to determine what resources will be needed and then consider whether the current organizational budgets are suitable. Organizational units must have the financial resources to effectively and efficiently implement their parts of the strategic plan. Developing strategy implies that top management will determine funding needed for implementation of new strategic initiatives and to strengthen or modify the company's competences and capabilities. If internal cash flows are insufficient to fund planned strategic initiatives, then management must raise additional funds through borrowing or selling other organizational assets. A company's ability to pool resources needed to fund strategy implementation cannot be underscored. Too little funding as a result of constrained finances or sluggish management action to adequately provide funds to critical and pivotal organizational units, slow effective strategy implementation and impedes the drive for strategic success. A change in strategy calls for budget reallocations. Units important in the prior strategy but having lesser roles in the new strategy may need down sizing. Units that now have bigger and critical roles may need more people, new equipment, additional facilities, and above average operating budgets (Thompson *et al* 2006).

2.3.3 Organization Structure

According to Johnson, Scholes & Whittington (2006) structures are an important aspect of organization's configuration with ability to integrate knowledge and activities of different parts of an organization both horizontally and vertically and with other organizations particularly within the value chain. Organizational structure is a formal arrangement of roles and relationships of departments, sections and concerned individuals so that work directed is towards meeting goals and accomplishing the mission of the organization. Change in strategy often requires changes in the way an organization is structured because structure dictates how objectives and policies will be established and how resources will be allocated. Organizational structure is determined by the size, stage in which the organization is in, complexity, diversity and the inter-dependence of tasks, environment and ideology which could either be a limiting or a driving force. Successful strategy implementation depends to a large extent on the organizational structure because structure identifies key activities within the organization and the manner in which they will be coordinated to achieve the strategy (Sababu 2007). Hence strategic implementation will be held back because of the traditional structures and roles that do not match future and current strategies.

In a highly centralized organizational structure, top executives retain authority for most strategic and operating decisions and keep a tight rein on business-unit heads, department heads and managers of key operating units. Comparatively, little discretionary authority is granted to frontline supervisors and rank and file employees. The command and control paradigm of centralized structures is based on the underlying assumption that frontline personnel have neither the time nor the inclination to direct and properly control the work

they are performing and that they lack the knowledge and judgment to make wise decisions about how best to do it hence the need for managerially prescribed policies and procedures, close supervision and tight control. Hierarchical command and control structures make an organization sluggish in responding to changing conditions because of the time it takes for review/approval process to run up all the layers of the management bureaucracy. Furthermore, to work well, centralized decision making requires top level managers to gather in the process whatever information is relevant to the decision. When the relevant knowledge resides at the lower organizational levels, it is difficult and time consuming to get all of the facts passed onto a high level executive located far from the scene of action. Full understanding of the situation cannot be readily copied from one mind to another (Thompson *et al* 2006).

2.3.4 Organization Culture

Corporate culture of the organization need to be compatible with the strategy being implemented, management usually finds it difficult to think through the relationship between firm's culture and critical factors on which strategy depends. However, they recognize that it influences the ways in which key managerial tasks are executed. When culture influences actions of employees to support current strategy, implementation is strengthened. Often organizational culture is not compatible with the strategy because of mistrust and suspicion making strategy implementation difficult. Consequently, organizational leadership in managing the strategy-culture relationship requires sensitivity to the interaction between changes necessary to implement the new strategy and the compatibility or fit between those changes and the firm's culture (Pearce & Robinson 2007).

Organizational culture are the basic assumptions and beliefs that are shared by members of an organization that operate unconsciously and define in a basic taken-for-granted fashion, an organization's view of it and its environment (Schein 1985). Culture can create rigidities if an organization has to change strategy. Resistance to change may be legitimized by cultural norms. For instance, plans to de-skill service delivery through routinization (IT systems) and the use of non-professional staff may be a logical strategy to pursue in terms of improving value to customers, but it is likely to be resisted by professional staff (Johnson et al 2006).

Culture in an organization is reflected in the way people unconsciously perform tasks, set objectives and administer resources to achieve them. It affects the way they make decisions, think, feel and act in response to opportunities and threats. Culture therefore influences selection of people to particular jobs, which in turn affect the way tasks are carried out and decisions made. Organizational culture is said to be positive when its members support top management and relationship between workforce and management is good. This is usually the case when there is effective communication between various levels in the organization and profits and losses are perceived to be shared fairly whether expressed in pay or benefits. While organizational culture is said to be negative when relationship between employees and management is bad and employees are informally united against official structures because they do not trust the management (Sababu 2007). More often, there is existence of mistrust and suspicion thereby making strategy implementation difficult.

A company's present culture and work climate may or may not be compatible with what is needed for effective implementation and execution of chosen strategy. When a company's present work climate promote attitudes and behaviors that are well suited to first rate strategy execution, its culture functions as a valuable ally in the strategy execution process. When culture is in conflict with some aspect of the company's direction, performance targets or strategy, the culture becomes a stumbling block (Thompson *et al* 2006).

2.3.5 Communication

Communication is the process of transmitting information from one person to another through a specific channel in a given environment. It refers to the process of sharing ideas, facts, opinions, and emotions. It is said to be strategically complete when there is a directional reaction towards the mission or feedback. In organizational strategy implementation, communication flows in three directions, downwards, upwards and lateral or horizontal. In all these channels of communication, networking should be the focal point because all positions in an organization matter. Communication barriers to strategy implementation in an organization arise from individual bias, status difference in message interpretation, inappropriate channels of communication, too many intermediaries, fear of criticism, selfishness and poor supervision (Sababu 2007). The challenge is putting in place efficient and effective communication systems capable of demanding resources for proper strategy implementation and directing attention to what is required. Poor communication systems make it difficult to monitor implementation and take timely remedial actions.

Management should communicate organizational changes clearly and persuasively to organization members to ensure commitment takes hold throughout the ranks, to find ways to put the strategy in place, make it work and meet performance targets. Managers faced with effecting change typically underestimate substantially the extent to which members of the organization understand need for change, what it is intended to achieve, or what is involved in the changes. Feedback on communication is important, particularly if the changes to be introduced are difficult to understand, threatening or if it is critically important to get the changes right. It is rare that changes have been thought through in ways that have meaning or can be put into effect at lower level in the organization. In addition the purpose of the changes may be misunderstood or misconstrued at such levels (Johnson *et al* 2007).

2.3.6 Human Resource and Reward Systems

Organizations are formed by groups of people who are stationed in various sections of the company to accomplish its objectives. Qualified human resource is an important factor if strategy implementation is to succeed. The firm should also develop a system of incentives that drive people to change their behaviour towards the desired goals. Systems of remuneration and compensation to pay people well must be put in place. The most common incentives includes, but not limited to, bonuses, training opportunities, salary increments, promotions, merit awards and recognition (Yabs 2007). The last decade has seen many firms realize that the link between compensation, particularly executive management compensation, and value-building strategic outcomes within their firms was uncertain. The recognition of this uncertainty has brought about increased recognition of the need to link management compensation with successful implementation of strategies

that build long term shareholder value (Pearce & Robinson 2007). The management challenge is to match strategy with reward system through fairness and objectivity so as to motivate execution by rewarding actions consistent with strategy implementation.

Human resource being the most important asset in an organization, strategy implementation depends heavily on competent personnel, adequate competencies and competitive capabilities and effective internal organization. Assembling a capable management team is the cornerstone of organization-building task though that is not enough because different strategies and company circumstances call for different mixes of managerial background, experiences, know how, values, beliefs, management style and personalities. Staffing the organization with the right people must go much deeper than managerial jobs in order to build an organization capable of implementing strategy. The challenge is to staff work groups with gifted, imaginative and energetic people who can bring life to new ideas quickly and inject them into the organization. Training and retraining are important when a company shifts to a strategy requiring different skills, competitive capabilities, managerial approaches and operating methods. Training is also important for organizational efforts to build skill-based competencies (Thompson *et al* 2006).

Organization's management usually uses an assortment of motivational techniques and rewards to enlist organizational commitment to implementing the strategy. To get employees' sustained, energetic commitment, management has to be resourceful in designing and using motivational incentives, both monetary and non-monetary. Financial incentives such as bonuses, profit sharing, base pay increases, fringe benefits and perks,

non contributory pension plans and empowerment of employees in decision making are generally the most common techniques in trying to gain employees commitment to strategy implementation. One of the management's biggest strategy implementation challenges is to employ motivational techniques that build wholehearted commitment to operating excellence and winning attitudes among employees (Thompson *et al* 2006).

2.3.7 Organization Policies

Policies are broad precedent-setting decisions that guide or substitute for repetitive or time-sensitive managerial decision making. Creating policies that guide and “preauthorize” the thinking, decisions and actions of operating managers and their subordinates in implementing the business's strategy is essential for establishing and controlling the ongoing operating process of the firm in a manner consistent with the firm's strategic objectives. Policies often increase managerial effectiveness by standardizing routine decisions and empowering or expanding the discretion of managers and subordinates in implementing business strategies and functional tactics. Logically, policies should be derived from functional tactics and in some instance from corporate and business strategies with the key purpose of aiding strategy execution (Pearce & Robinson 2007).

Empowerment is the act of allowing an employee or individual or team the right and flexibility to make decisions and initiate action. Creating and communicating policies that empower employees help in overcoming resistance to strategic change and foster commitment to strategy implementation. However, most managers and employees often prefer the latitude granted by unwritten and informal policies which often create room for favouritism, discrimination, conflicts and yields emotion based expedient or temporary valid argument for altering procedures and practices (Pearce & Robinson 2007).

2.3.8 Power and Politics

Power is the ability of individuals or groups to persuade induce or coerce others into following certain courses of action. This is the mechanism by which one set of expectations will dominate strategic development or seek to compromise with others. Power is the mechanism by which expectations are able to influence purposes and strategies. It has been seen that in most organizations, power will be unequally shared between the various stakeholders. In order to implement change, powerful support is required from individuals or groups combining both power and interest from the powerful member of the board or an influential outsider. To achieve this, reconfiguration of power structures may be necessary especially if transformational change is required (Johnson *et al* 2007).

Having established this understanding, there is need to consider the implementation of strategy within a political context. However, the political aspects of management are also difficult and potentially hazardous. In overcoming resistance, the major problem may simply be the lack of power to be able to undertake such activity. Attempting to overcome resistance from lower power base is highly problematic. In breaking down the status quo, the process becomes so destructive and takes so long that the organization cannot recover from it. If the process is to take place, its replacement by some new set of beliefs and the implementation of a new strategy is vital and needs to be speedy. It is one thing to change the commitment of a few senior executives at the top of an organization, it is quite another to convert the body of the organization to acceptance of significant change (Johnson *et al* 2007). According to Pearce & Robinson (2007) direction and stability of political factors are major consideration to management when formulating and implementing strategy. They define the legal and regulatory parameters within which organizations must operate. Political constraints are placed on firms through fair-trade decisions, and administrative jawboning. Because such laws and regulations are most commonly restrictive, they tend to limit the operations of the firm in carrying out fundamental changes in management of its activities.

2.3.9 Information Technology and Support Systems

Organizational performance depends on how well the routine activities are carried out. The efficiency and effectiveness of the routine activities reinforce implementation strategy. Having good information systems and operating data is integral to the managerial task of executing strategy successfully and achieving greater operating excellence. Well conceived state of the art information support and operating systems not

only enable better strategy implementation but also strengthen organizational capabilities. Accurate and timely information about daily operations is essential if managers are to gauge how well the strategy implementation process is proceeding. Information systems need to cover customer data, operational data, employee data, supplier or partner or collaborative data and financial data. Real time information systems allow management to stay on top of implementation initiatives and daily operations and to intervene if things seem to be drifting off course. Tracking key performance indicators, gathering information from operating personnel, quickly identifying and diagnosing problems and taking corrective actions are all important in the process of managing strategy implementation (Thompson *et al* 2006).

2.3.10 Change Management

Change management is a set of processes that are employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change. Many rigid managers try to use change management to regulate and direct the random and chaotic events swirling around them. They are not comfortable with letting their change management plan and path to higher performance unfold and evolve toward their vision, values, purpose, goals and priorities. Change management plans are built on faulty premise that there is a right path which can be determined in advance and then implemented ([http://www managerwise.com](http://www.managerwise.com)).

Changing circumstances and ongoing management's efforts to improve strategy cause a company's strategy to evolve over time. Most times, a company's strategy evolves incrementally from management's ongoing efforts to fine tune strategy and to adjust certain strategy elements in response to unfolding events. Sometimes fine tuning the existing strategy is not enough and major strategy shifts is called for when the strategy is failing and the company faces a financial crisis or when an important technological breakthrough occurs. Thus, company strategy at any given point is fluid, representing the temporary outcome of an ongoing process (Thompson *et al* 2006). Change management is a problem finding and problem solving activity. The problem is the future state to be realized, some current state to be left behind, and some organized process for getting from one state to the other (Burnes 2004).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the methodology used in the study. The chapter has been organized into research design, data collection procedures and data analysis techniques

3.2 Research Design

This is a case study aimed at determining challenges NASSEFU is facing in strategy implementation. Case study design was appropriate because the researcher was able to carry out comprehensive and thorough examination of the strategy implementation challenges this particular organization is experiencing. Case study method is a technique in depth rather than breadth, places more emphasis on full analysis of limited number of events and conditions and their interrelationship. It is essentially an intensive investigation of the particular unit under consideration. The object of the case study method is to locate the factors that account for the behaviour patterns of the given unit as an integrated totality (Kothari 2004).

According to Young (1960) case study is “a comprehensive study of a social unit be it that unit of a person, group, social institution, district or community.” Case study method is a fairly exhaustive study by which an institution or group is analyzed in its relationship to any other in the group (Odum & Jocher 1929). Other researchers who have used case study method in the past are Muthuiya (2005) Strategy Implementation and its Challenges in NGOs in Kenya, Case Study of AMREF, Benson (2006) Challenges Facing K-REP Bank in Implementing Strategic Plans, Ochanda (2006) Challenges of

Strategy Implementation at Kenya Industrial Estates, Nguma (2006) Challenges of Strategy Implementation in the Scripture Union of Kenya, Githui (2006) Challenges for Strategy Implementation in Barclays Bank Limited and (Oyugi 2007) Challenges Faced by the University of Nairobi in Implementing Competitive Strategies.

3.3 Data collection

Primary data sources were utilized to collect the relevant data for the study through a structured interview guide (*appendix V*). The guide was structured in to two parts, Part A catered for personal information and Part B addressed strategy implementation challenges. Part B consisted of open ended questions. Structured interviews permit more direct comparability of responses, question variability has been eliminated and thus answer variability is assumed to be real. Also in the structured interview, the interviewer's neutrality will be maintained (Cooper & Schindler 2006). The researcher interviewed four officials being the General Manager, Chairman, Treasurer of the board of Directors and Chairman of the oversight board of Directors. It is these officials who are responsible for the planning, directing, coordinating strategy implementation, monitoring and evaluation of all the policies within their functional areas on behalf of the Board of directors.

3.4 Data Analysis

Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, in different business, science and social science domains (Kothari 2004). Content analysis was employed in this study to analyze data collected from the interview guide. It is “a research technique for the objective, systematic and quantitative description of the manifest content of a communication”. Content analysis guards against selective perception of the content, provides for rigorous application of reliability and validity criteria, and amenable to computerization (Cooper & Schindler 2006). This allowed analytical understanding of meaning from respondents’ information and other documented materials on strategy implementation.

Content analysis method allowed qualitative data collected to be examined based on interpretation and meaning of information from the respondents on available documented data on strategy implementation challenges. This technique allowed interpretation of data collected to be obtained and related to objective of the study. Qualitative data collected required analytical understanding rendering the content analysis the most suitable. It has been used by Koskei (2003) Strategy Implementation and its Challenges in Public Corporations, The Case of Telkom Kenya Ltd, Unpublished MBA Project, University of Nairobi, Ateng (2007) Challenges of Strategy Implementation at the Ministry of Finance in Kenya, Unpublished MBA Project, and Omollo (2007) The Challenges of Implementing Strategic Decisions at the Kenya Armed Forces Medical Insurance Scheme (AFMIS), Unpublished MBA Project.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter outlines the analysis of data obtained and the findings of the study. The data collected through interviews were summarized and analyzed using content analysis as presented in this chapter.

4.2 Data Respondents

The interviewer managed to carry out all scheduled interviews. The Chairman and Treasurer of Board of Directors, Chairman of the Oversight Board and General Manager were interviewed. It is these officials who are responsible as the Executive Committee for the planning, directing, coordinating strategy implementation, monitoring and evaluation of all the policies within their functional areas on behalf of the Board of Directors. Management and Board of Directors interviewed had been with the NASSEFU management board for more than one term and hence witnessed more than one strategic plan undergoing implementation. Their views, therefore, reflect the real position of challenges of strategy implementation being faced.

The study had one objective to determine challenges NASSEFU is facing in strategy implementation. The content of the data collected was examined critically to help in drawing conclusions. Data was analyzed as they appear in the interview guide for clear interpretation and understanding of the results.

4.3 The Findings

The following were the findings of the study regarding the challenges of strategy implementation at NASSEFU.

4.3.1 Leadership

The recent changes in the organization management and Board of Directors coupled with external politics created a vacuum in the leadership to the extent that policy issues were delayed. Because of the high turnover on the General Manager position, continuity in instituting reforms has been adversely affected. The choice of the top management team to oversee strategy implementation is not based on one's skills, competence and capabilities but at the discretion of the Board of Directors' vested interests. Top managers regard implementation as the work of the subordinates and line managers yet the responsibility for failure or success is upon them. The study revealed that strategy implementation does not receive much attention as strategy formulation which is usually not done within NASSEFU premises but in hotels rendering successful implementation a pipe dream.

4.3.2 Financial Resources

The major key to strategy implementation is the allocation of adequate funding to sustain desired changes within the system. Functional units get funds for strategy implementation through budgetary allocation, the utilization of these funds is done through approved budgets during annual general meeting (AGM). The challenge is that functional departments compete for scarce and constrained financial resources available resulting in little funding, thus unable to effectively strengthen and improve the organization

performance. This has slowed the drive to attaining success and better service delivery to members who are the main stakeholders.

4.3.3 Organization Structure

The organization structure existing currently is optimal. However, not all positions as provided for in the structure are filled. This implies that strategy implementation may be adversely affected because of the existing gaps in the structure. This has made NASSEFU Sacco to be slow in responding to changing needs of customers because of work overload on the other staff members. More time is taken for approval procedures to pass through the layers of management hierarchy. Departmental roles are not clearly defined and sometimes duplicated creating conflicts in allocation of resources. Smooth strategy implementation is therefore hindered because of the ambiguities which exist in the traditional structure which do not augment strategy implementation.

4.3.4 Organization Culture

The organization's present culture is not compatible neither does it promote behaviors and attitudes needed for effective strategy implementation. Culture is in conflict with most aspects of the organization's strategy thereby becoming a hindrance to efforts directed at influencing change. There is strong negative culture and relationship between employees and management. Employees informally unite against official structures and activities like restructuring and change management efforts because of fear of the unknown. Employees pledge their allegiance to the individual Board of Directors instead of the organization policies and regulations.

4.3.5 Communication

Ideally communication is supposed to flow in three directions downwards, upwards and lateral. However, this is not the case at NASSEFU since one channel of communication is used (downwards) and the rest ignored. This means that staff at junior levels cannot communicate their ideas, suggestions and comments on important issues like strategy formulation and implementation. Therefore, innovation and invention of new ideas is stifled and grapevine channels come in handy. Communication channels and policies exist with the common ones being meetings, memos, circulars, emails, newsletters, journals and reports. However, it is not adhered to giving room for grapevine communication. Communication equipments and tools were also found to be inadequate as the ratio of computers to staff is 1:3 which means almost three employees share one computer.

4.3.6 Human Resource and Reward System

Human resource being the most valuable asset in an organization must be correctly motivated and placed in order to realize its full potential. The study revealed that NASSEFU has experienced challenges in this department because of internal politics which has led to some staff being promoted without the required credentials to perform satisfactorily in their work stations and even at times unable to make decisions. Because of misplacement and promotions beyond one's competence, creativity and innovativeness has been relegated to the periphery.

4.3.7 Organization Policies

Training and Promotion policies came out as challenges facing strategy implementation NASSEFU. Promotion is not transparent and clear policy guidelines and structures to be followed have not been put in place to guide the process. Training is usually conducted in an uncoordinated manner resulting in few individuals being trained continually at the expense of other deserving cases. Training needs assessment or evaluation is not done by supervisors or departmental heads annually as required by the staff regulations. Redeployment of staff is a form of punishment resulting in staff being redeployed to unfamiliar sections outside their professional qualification making it difficult for them to deliver and implement particular intended strategies.

4.3.8 Power and Politics

Power and politics pose challenges to strategy implementation in that they define the legal and regulatory framework in which the organization operates, these could be external or internal challenges. A good example of an external challenge is the recent Co-operative Rules and Regulations (2006) by the Minister of Co-operative Development and Marketing which stipulates all co-operative Boards of Directors should not hold office for more than two consecutive terms of three years each. This turnover of Board of Directors affects continuity, focus and commitment in achieving full potential of strategy implementation. Internal challenges are in form of group dynamics, where few non-performing individual members of staff are protected and rewarded while hardworking employees are ignored and even reprimanded in circumstances laden with witch-hunt.

The annual general meeting (AGM) being the supreme decision-making organ, many at times, do not adopt the Board of Directors recommendation to institute fundamental changes in the way the society is to be governed in future because members have either limited knowledge or others wanting to portray the incumbent Board of Directors as failures to be removed from office.

4.3.9 Information and Communication Technology

ICT being the lifeblood of every organization in terms of service delivery has been widely ignored at NASSEFU to the extent that the current strategic plan 2008/2012 is not aligned to the current information technology systems. For example, a lot of tasks are done manually thereby delaying real time value of information. This is due to the fact that top management has not provided the necessary infrastructure to procure, support and facilitate usage of appropriate ICT systems. The society also does not have tracking systems like audit trails to detect fraudulent activities. ICT systems used in the Sacco are inbuilt with little input or none from technical experts. Generally these systems are not adequate in the provision of timely reports hence impact negatively on the provision of services. Therefore IT is a challenge to strategy implementation.

4.3.10 Change Management

Employees fear change because of not knowing the outcomes of strategy being implemented since it is usually associated with layoffs, redundancies and retrenchment. The challenge is the future state to be realized, some state to be left behind (status quo) and the organized process of getting from the present state to the other. Since strategy implementation is all about change people resist hence implementation process is stifled.

Another serious challenge is that strategy formulation is not widely discussed with all employees such that when it comes to the implementation stage, all concerned departments are not aware thereby increasing resistance and reducing chances of success. Other challenges are falling membership numbers, inability to push through additional savings because of politics and convincing members to adopt delegate system as opposed to open attendance at the AGM.

4.4 Discussion

The results of these findings are consistent with the outcomes of previous studies undertaken on the study of challenges of strategy implementation by other researchers in various organizations. The study reveals that NASSEFU faces challenges in leadership, structure, culture, financial and human resources, power and politics, policies, ICT and change management. However, NASSEFU appears to have other challenges peculiar to it that call for additional studies in future for example politics of the sponsoring organization, NSSF and succession politics in the election of Board of Directors during the annual general meetings.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of major findings of the study, summary, conclusion and recommendations.

5.2 Summary

This section summarizes the key challenges of strategy implementation in NASSEFU as lack of Visionary leadership by Board of Directors, lack of proper communication channels and procedures, strong negative culture, unfair human resource practices, mismatch of employees' technical skills versus job placement, the fear of change process and inadequate provision of financial resources to support strategy implementation, poor infrastructure in terms modern information & Communication Systems. Other challenges that NASSEFU had to contend with is the power and politics in election of its Board of Directors, Oversight Board Directors and appointment of its top management starting from the General Manager which in turn affects its operation to the extent of compromising professionalism at the expense of vested interests. Absence of consultative approach by the management has also been a hindrance to strategy implementation.

5.3 Conclusion

These conclusions were generalizations on the subject of the study and drew heavily from information on challenges of strategy implementation at NASSEFU. The researcher found out that NASSEFU has four (4) major challenges to strategy implementation as poor leadership by the top management, unstructured communication channels which hinders effective communication, high resistance to change because of fear of unknown and inadequate financial allocation coupled with unclear direction to follow in prioritizing vitally important key activities. NASSEFU cannot avoid being complacent otherwise it will be rendered irrelevant and obsolete, but should embrace change at all levels and modernize its operation.

5.4 Recommendations for policy and practice

It is highly recommended that NASSEFU addresses challenges to do with communication, ICT and reward management system. Clear open communication channels that ensure feedback should be encouraged. Rewards should be tied to performance to avoid dissent and conflict among the various cadres of employees. High priority should be given to training of all employees to reduce resistance to change, enhance culture change. Despite the fact that effective strategy implementation is the only way to achieve desired objectives and goals, extra care should be taken on adverse effects occasioned by unpopular decisions being implemented.

Staff training and Management seminars should be carried out in a more transparent manner and all given equal chances and opportunities to participate, while at the same time taking in to consideration organizational needs. Employees in core areas need specialized training in Sacco management for instance credit management while those in non-core areas need training on multi-tasking. Future recruitment and deployment should be based on individual skills, capabilities, competence and professionalism and not on patronage.

Information and communication technology equipment should be procured and daily operations automated as opposed to the current situation where transactions are done manually. This will improve reliability, enhance quality and accuracy of information and improve efficiency in service delivery. IT experts on Sacco softwares should be consulted to assist in developing appropriate systems to be procured, installed and operationalized.

5.5 Recommendation for further Research

It is recommended that further research be carried out on challenges of strategy formulation at NASSEFU as it appears it is not an all-inclusive exercise and contributes tremendously to challenges being faced at strategy implementation.

5.6 Limitation of the study

The Official Secrets Act prohibits employees from divulging confidential and sensitive information especially touching on weaknesses of the organization to outsiders, including researchers, for fear of information landing in the hands of their competitors.

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DATE 22/10/2010

TO WHOM IT MAY CONCERN

The bearer of this letter Richard Kipkoeh Langat

Registration No: D61/8868/2005

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you. **UNIVERSITY OF NAIROBI**
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX II

Richard K. Langat,
P O Box 30599-00100,
Nairobi.
25-10-2010.

The Chairman,
NASSEFU Saving & Credit Society Ltd,
BOX 43338-00100,
NAIROBI.

THRO'
The General Manager

Dear Sir,

RE: AUTHORITY TO COLLECT DATA

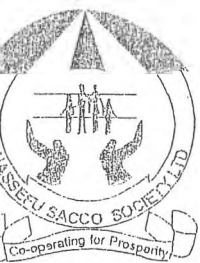
I am currently pursuing Master of Business Administration (Strategic Management option) at University of Nairobi. One of the requirements to be awarded the above Degree is to carry out a research project on your area of specialization. I have chosen to research on the challenges of strategy implementation at NASSEFU. I therefore wish to seek your permission to collect relevant data through interview method.

Attached is an introduction letter from the University of Nairobi for ease of reference.

Thanks in advance,

Yours faithfully

RICHARD K. LANGAT



NASSEFU CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

Tel: 2729911/2724003
Fax: 2736656

P.O. Box 43338 - 00100 G
Nairobi, Kenya

APPENDIX III- AUTHORITY LETTER

26-10-2010

Richard K Langat

Dear Sir,

RE: AUTHORITY TO COLLECT DATA

We are in receipt of your letter requesting to collect data for your research which is part of the requirements for the award of Degree of Master of Business Administration (Strategic Management option), University of Nairobi.

We are pleased to inform you that the Board of Directors has given you authority to conduct oral interviews. However, the Board request that on completion, a copy of your research report be availed to us for custody and future reference

We wish you good luck and assure you of our cooperation during the exercise.

Thanks in advance,

Yours faithfully

JACK GUDO

GENERAL MANAGER

APPENDIX IV

Richard K. Langat,
P O Box 30599-00100,
Nairobi.
22-09-2010.

Dear Respondent,

RE: INTERVIEW

I am currently pursuing Master of Business Administration (Strategic Management option) at University of Nairobi. One of the requirements to be awarded the above Degree is to carry out a research project on your area of specialization. I have chosen to research on the challenges of strategy implementation at NASSEFU. You have been selected to be part of this study.

This is to request you to grant me an opportunity for interview. The information that you provide will be used exclusively for academic purposes and be treated with strict confidence. A copy of the final paper will be availed to you upon request.

Thanks in advance

Yours faithfully

RICHARD K. LANGAT

APPENDIX V

INTERVIEW GUIDE

PART A: Respondent’s Personal Information

Name	
Department	
Designation	
Level of Education	
Number of years in the organization	

PART B: Challenges to Strategy Implementation

I. LEADERSHIP

1.0 Do leadership challenges exist in strategy implementation?

Yes ☐ No ☐

1.1 If yes, explain briefly.

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.....

.....

2.0 Most Managers regard the strategy implementation process as something below them and should be left to lower cadre employees.

Yes No

2.1 If yes, what challenge does this attitude pose to strategy implementation?

.....
.....
.....
.....

II. FINANCIAL RESOURCES

3.0 Is financial allocation to support strategy implementation a challenge?

Yes No

3.1 If yes, elaborate your answer.

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.....

III. ORGANIZATION STRUCTURE

4.0 In your opinion, is the current organizational structure a challenge to strategy implementation?

.....
.....
.....
.....

IV. ORGANIZATION CULTURE

5.0 Is the current organizational culture a challenge to strategy implementation?

Yes ☐

No ☐

5.1 If yes, in what way has it been a setback to strategy implementation?

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.....

V. COMMUNICATION

6.0 Is communication policy a challenge to strategy implementation? If yes, what are these challenges?

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VI. HUMAN RESOURCE AND REWARD SYSTEM

7.0 Does your society experience human resource challenges in terms core of competencies and capabilities to the extent that they hinder smooth strategy implementation? If yes, what are these challenges?

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VII. ORGANIZATION POLICIES

8.0 In your opinion, are there some organizational policies that pose a challenge to strategy implementation? If yes, which are these policies?

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VIII. POWER AND POLITICS

9.0 Power and politics of the day determine the way an organization carries out its operations, hence posing a challenge to strategy implementation. What are some of these challenges?

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.....

X. INFORMATION TECHNOLOGY AND SUPPORT SYSTEM

10.0 Is the current information technology and support system a challenge to strategy implementation? Yes ☐ No ☐

10.1 If yes, what are these challenges?

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X. CHANGE MANAGEMENT

11.0 Is change management a challenge to strategy implementation? If so, what are some of the challenges it poses?

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12.0 What other challenges does NASSEFU face in strategy implementation?

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