

**STRATEGIC PLANNING PRACTICES AT
NAIROBI CITY WATER & SEWERAGE
COMPANY LIMITED**

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DECLARATION

I declare that this research project is my own original work and has not been presented before, for an award of any degree in any university.

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This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my wife Margaret and our children Kevin, Esther and Gertrude for their support.

ABSTRACT

Organizations wholly depend on the environment from which they obtain inputs and also discharge their outputs. For survival and success of an organization particularly in the long term it is necessary that the organization establishes a strategic fit as it interacts with the environment. The environment is generally ever-changing and organizations must adopt strategies that will constantly maintain the fit for it to succeed. It is with this objective that organization result to strategic planning.

This study is aimed at investigating and documenting strategic planning practices at the NCWSC. The data collection instrument used was unstructured questionnaire to allow for greater depth in responses through personal interviews.

Government concern on water management can be traced to the 1970's through the formation of national water master plan. The enactment of Water Act 2002 was the most comprehensive and modern document from the government. The water act 2002 created and gave clear powers to different bodies on water resource management in the country. Among other things the act requires that water and sewerage services be given separately from other services and the proceeds be used to improve and expand the service.

The NCWSC was founded in 2004. Its mandate is to provide water and sewerage services to the city of Nairobi and its environs. The company is owned by the City Council of Nairobi (NCC). The company inherited all assets and liabilities of what used to be the water and sewerage department of NCC.

NCWSC started practicing strategic planning in 2005 with the establishment of the first business plan. This was soon after the top management had been changed with the installation of the board of management comprising of six functional directors headed by the managing director. Since then the intensity of the practice has been cascaded downwards and participants drawn from all levels of employees.

Respondents were drawn from the top management who provided valuable information.

The study concluded that NCWSC has in place strategic planning practice. There are effective administrative structures and communication systems that make the practice effective. There is a high sense of commitment by the key players who have their roles clearly defined. It is also evident that performance has improved as a result of the practice.

TABLE OF CONTENTS

Declaration.....	ii
Acknowledgements.....	iii
Dedication.....	iv
Abstract.....	v
List of tables.....	ix
Abbreviations.....	x
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background	1
1.1.1 Strategic Planning.....	1
1.1.2 The Water Sector in Kenya	3
1.1.3 The Nairobi City Water and Sewerage Company	5
1.2 Statement of the Research Problem	6
1.3 Objective of the Study	9
1.4 Importance of the Study.....	9
CHAPTER TWO: LITERATURE REVIEW.....	11
2.1 The Concept of Strategy	11
2.2 Views of Strategy	13
2.3 The Concept of Strategic planning.....	14
2.4 Strategic Planning Practice	16
2.5 Importance of Strategic Planning in Organizations.....	19

CHAPTER THREE: RESEARCH METHODOLOGY	23
3.1 Research Design	23
3.2 Data Collection	24
3.3 Data Analysis	25
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION.....	27
4.1 Introduction.....	27
4.2 NCWSC Profile.....	27
4.3 Strategic Planning at NCWSC.....	29
4.3.1 Vision and Mission Statements.....	29
4.3.2 Key Strategic Issues at NCWSC.....	30
4.3.3 The Strategic Planning Practice at NCWSC.....	32
4.4 Benefits of Strategic Planning Practice at NCWSC.....	35
4.5 Discussion.....	35
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS..	37
5.1 Strategic Planning Practices in NCWSC.....	37
5.2 Conclusions.....	39
5.3 Recommendations.....	40
5.4 Limitations of the Study.....	40
5.5 Suggestions for Further Research.....	41
REFERENCES.....	42
Appendix 1: Letter of introduction.....	51
Appendix 2: Data collection checklist.....	52

LIST OF TABLES

Table 1: Key Players in the Strategic Planning Practice.....32

ABBREVIATIONS

NCWSC	Nairobi City Water and Sewerage Company
GoK	Government of Kenya
WRMA	Water Resources Management Authority
WSRB	Water Services Regulation Board
WSB	Water Services Board
AWSB	Athi Water Services Board
W & S	Water and Sewerage
CEO	Chief Executive Officer
BCG	Boston Consulting Group
US	United States
UK	United Kingdom
USA	United States of America
MD	Managing Director
WSD	Water and Sewerage Department
NCC	City Council of Nairobi
NWMP	National Water Management Plan
CAAC	Catchments Areas Advisory Committee
WRUAs	Water Resource Users Associations
WSP	Water Service Provider
BPO	Business process owner
SWOT	Strengths, Weaknesses, Opportunities and Threats
PESTEL	Political, Economic, Social, Technical, Ecological and Legal
BoM	Board of Management

CHAPTER ONE: INTRODUCTION

1.1 Background

Managers in public sector are regularly tasked with complicated issues such as reducing conflict between opposing interests on public lands, providing quality educational and recreational experiences to the citizens they serve, promoting interagency collaboration and cooperation, constructing and maintaining safe and appropriate infrastructure, and increasing the level of professionalism among the employees of their respective sectors, among others. The increasing competition for expanding programs at all levels of government has placed even greater priority on locating and securing sustainable funding necessary to serve the public in an effective manner. Budget resource scarcity, severe staff reductions, and service demands have placed public organizations under great pressure to apply better planning techniques (Eadie, 1983).

This dilemma has driven public-sector managers to innovate and utilize creative strategies in an overall effort to sustain staff satisfaction, enhance service quality, and place their agencies in position to garner increased budget allocations. Due to these and other factors, strategic planning has emerged as a tool that may be used by public sector managers to identify critical issues and develop comprehensive strategies to address those issues in an effort to accomplish goals and create positive organizational change.

1.1.1 Strategic Planning

Strategic planning is equated with strategy development systems. In many aspects they are the archetypal manifestation of the design approach to managing strategy (Johnson &

Scholes, 2002). According to Newman, Logan and Hegarty (1989) strategic planning starts with a vision of a product or service that a lot of people would like to have and that the company can provide. A key part of the strategic analysis is a forecast of the attractiveness of the industry as a future domain. The companies' strengths also need to be studied. Strategic planning practices have changed in style substantially in the last two decades in response to the challenges of strategy formulation in turbulent and unpredictable environment (Grant, 2003).

Armstrong (1982), Greenly (1983) and Miller and Cardinal (1994) agree that strategic planning results in a superior performances measured in sales, net income, return on investments and equity. Hopkins and Hopkins (1997) support this arguments by stating that financial performances is high in organizations in which emphasis is given to the various components of the strategic planning process. Within the public sector, strategic planning has been credited with providing the organization with a clearer sense of strategic vision, sharper focus on what is strategically important and improved understanding of rapidly changing environment (Bryson, 1988). Andrews (1987) has added that the benefits of well designed strategic plans are the guidance they provide managers of organizational departments, the contributions they make in identifying the strategic issues and coordinating top management decisions. He adds that strategic planning provides rationality to top management in deploying organizational resources among various activities and in evaluation of competing requests from organizational sub units for funds.

According to Papadakis, Lioukas and Chambers (1998) strategic decision are taken through a process of seven dimensions. These are comprehensiveness and rationality, financial reporting, rule formulization, hierarchical decentralization, lateral communication, politicization and problem solving dissension. These process dimensions are related to decision-specific characteristics, top management characteristics and contextual factors referring to external corporate environment and internal firm characteristics. Formal planning and incrementalism are both part of strategic planning (Brews & Hunt, 1999).

1.1.2 The Water Sector in Kenya

Water is life. The life of both plants and animals cannot be sustained without water. Besides life support activities, water is also required in visually all other activities, i.e. manufacturing activities, construction activities, transportation, mining etc. Water is therefore a commodity of fundamental importance to any nation, its people and its development.

It is for this reason that water is considered to be of basic importance and is given its own ministry in the government of Kenya. Over the years, the government has come up with various declarations about water provision. In the 1970's it was the National Water Master Plan (NWMP) whose objective was to have piped water to everyone by the year 2000. In the 1990's this changed to piped water to everyone by year 2020. Now it is the vision 2030 in which the water objective is also included. But it was the year 2002 that

the Government came up with a comprehensive document about water resource management through the Water Act (Ngigi & Macharia, 2006).

The Water Act, 2002 is a Government of Kenya (GoK) document that was published as Kenya Gazette Supplement No. 107 (Acts No.9) on the 24th October 2002 in Nairobi (Water Act, 2002). The Act is a comprehensive document that gives the responsibility and authority to various bodies on how to manage the water resource in the Country. The Act says that every water resource is vested in the state, subject to any rights of user granted in written law.

According to Water Act (2002), Water Resources Management Authority (WRMA) was created with a mandate to develop principles, guidelines and procedures for the allocation of water resource in the whole country. The Water Services Regulatory Board (WSRB) was also created. The purpose of this body is generally to set the standards and controls for the provision of water and sewerage services (W & S) in the Country. WSRB also issues licences and sets limits and develops guidelines for tariffs and performance agreements, on how the service is to be provided. Another function of WSRB is to licence regional bodies for the provision of W & S services in different parts of the Country (Water Act, 2002).

The regional bodies which operate as licensed by WSRB are the Water Service Boards (WSB). The WSB are responsible for the efficient and economical provision of W & S services authorized by the issued licence. According to the Act, the W & S services

authorized by the licence are supposed to be provided by an agent of the WSB in accordance to a service provision agreement. The only exception is in circumstances where according to the Regulatory Board, the procurement of such an agent is not possible or the provision of W & S services by an agent is not practicable (Water Act, 2002). Water Act, 2002 also stipulates the regional body whose area includes the city of Nairobi as the Athi Water Services Board (AWSB). The Nairobi City Water & Sewerage Company (NCWSC) is an agent of AWSB. The responsibility of NCWSC in accordance with the agreement between it and AWSB is to provide W & S services to the city of Nairobi and its environs (Water Act, 2002).

Besides the provision of W & S services, there are other bodies to manage other water uses and catchments areas. The Catchments Areas Advisory Committee (CAAC) advises on the conservation and utilization of water in the catchments areas at regional level. At the local level are the Water Resource Users Associations (WRUAs) in charge of the resource management and related conflict resolutions (Muguna, 2009).

1.1.3 The Nairobi City Water and Sewerage Company (NCWSC)

The NCWSC was registered and incorporated in the year 2004. Its mandate is to supply the city of Nairobi and its environs with water and sewerage services. This came about after the enactment of water act 2002. The act requires water (and sewerage services) provision to be managed separately and independently of other services (popularly known as ring fencing).

The company is owned by the City Council of Nairobi (NCC). It has a board of directors drawn from different interest groups. The management of the company is divided into six directorates lead by the Managing Director. With a total workforce of about 2,000 employees, the company has both contract and permanent employees. The company gets water from different sources. These are Chania River, Thika dam, Sasumua Dam, Ruiru dam and Kikuyu springs. The company then treats it, transmit it and then distribute it to all consumers. The water is then metered and customers billed accordingly. After customers use water the, resultant waste water is collected and transmitted to sewerage treatment plants at Kariobangi and Ruai.

The NCWSC inherited all the assets and liabilities that belonged to the then Water and Sewerage Department (WSD) of the NCC. The assets included all personnel, credit, equipments, vehicles, offices and the service infrastructure. The liabilities included debts and running contracts. Also inherited are poor billing systems, and generally bad organizational culture (Mute, 2008).

1.2 Statement of the Research Problem

According to Hax and Majluf (1996) strategic planning is one of the most respected and valued management tools for turning organizational dreams into reality. They defined strategic planning as the process by which organizations determine and establish long term objectives while taking into account relevant internal and external variables. Research conducted on planning, as a calculated process performed by an organization, has produced conclusions supporting the assertion that planning is useful. For example, comparisons between organizations that used formal planning versus those using

informal planning found performance among the formal planners to be superior in ten cases and poorer in only two cases, with three ties (Armstrong, 1982). Miller and Cardinal (1994) concluded that strategic planning does positively affect firm performance. Similarly, Ansoff (1991) argued that planning commonly produces better organizational alignment and financial results than does trial-and-error learning. Aosa (1992) in his suggestion for further research emphasizes that for increased understanding of strategic planning processes in Kenyan organizations, investigation of strategic planning processes needs to be done also in the public sector. The study of strategic planning processes in the public sector is also recommended by Bryson (1988).

The NCWSC like any other organization depends on the ever changing environment for its operation and survival. Its responsibility to equitably supply portable water to the city of Nairobi is monumental. NCWSC is facing increasing challenges such as increased demand with increasing population, higher expectations for better service, some uncooperative customers and unpredictable weather patterns. These affect service delivery and determine general customer satisfaction. The government also is demanding improved performance, with higher targets. All these challenges point to the need for strategic planning practice in NCWSC for its survival and success.

Various studies have been carried out to document strategic planning practices in Kenya. Shumbusho (1983) carried out a survey of corporate strategic planning practice in some selected Kenyan companies. Aosa in 1992 did an empirical investigations of aspects of strategy formulation within large private manufacturing companies in Kenya. In 2001

Sharbani studied strategic planning practices within hotels and restaurants in Nairobi. Mwaura (2001) studied strategic planning within television companies in Kenya. Chepkwony in 2001 did strategic responses of petroleum firms in Kenya to challenges of increased competition in the industry. In 2003 Mutonyi studied strategic planning within microfinance institutions in Kenya. Bett (2003) carried out a study in strategic planning by tea manufacturing companies in Kenya. J. W. Ndungu in 2006 studied strategic planning practices performance of selected colleges offering professional programs. M. Ndungu (2006) did a study on strategic planning at Shell BP Kenya Limited. In 2006 Bahati studied strategic planning practices and challenges involved in strategic planning in microfinance institutions in Kenya. Rugani in 2007 did a survey of strategic planning practices of management consultancy firms in Kenya. In 2001 Kiliko did a study in strategic planning within NGOs in Kenya.

Karanja (2004) did a survey of strategic planning and performances of public corporations in Kenya. Kamau in 2005 studied strategic planning at Kenya Armature Athletics Association. Kimemia (2006) carried out a study of strategic planning practices in public secondary schools in Kenya. Strategic planning at Kenya Ports Authority was done by Abdulaziz in 2006. In 2007 Agusioma studied strategic planning practices at TSC. From these, the first 12 studies give information on strategic planning in the private sector. The remaining five provide insights in the practice of strategic planning in the public sector. In 2008, Mute carried out a case study in managing change at NCWSC. Muguna (2009) did a study in managing resistance to change at NCWSC. The researcher

however is not aware of any strategic planning study conducted at NCWSC. Additionally there is no one best way of conducting strategic planning (Marshall & Rossman, 1990).

It can therefore be observed that there is a gap in literature as far as strategic planning practices at the NCWSC is concerned. The study therefore is designed to fill this gap by making an in-depth study on the strategic planning practices at NCWSC. More specifically, the study seeks to answer this question. How is strategic planning carried out at NCWSC?

1.3 Objective of the Study

The objective of the study is to investigate and document the strategic planning practices at the NCWSC.

1.4 Importance of the Study

The research will have a lot of benefits to the various stake holders. Water is life and with the NCWSC providing water to the city dwellers that do not have alternative sources of the commodity, the research will provide information about the strategic planning in the management of this basic service. To the academicians and researchers the study will provide a holistic view of strategic planning in the water sector. It will also help the players in the water sector on where to focus their attention as far as management of provision of water is concerned.

The study will enable other water service providers to improve on their strategic planning practices through understanding about the practice in NCWSC. NCWSC is by far the biggest of all Water and sewerage service providers in the country. Water provision being a responsibility that is closely monitored by the government, with regular matching with its policy the study will provide pertinent information when considering the same.

Strategic planning consultants will also get insights on how to improve the practice of facilitating strategic planning process. Because of the power they hold in relation to the management of public sector, Board of Directors will benefit a great deal since strategic planning document is a management tool. Finally but not the least, leaders of all types of organizations will get a general insights into improving strategic planning in Kenyan and other similar contexts.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

The word “strategy” is thought to have come from the Greek word ‘stratego’ which means ‘to plan the destruction of ones enemies through effective use of resources’ (Bracker, 1980). The concept of strategy may have initially been confined to military warfare due to the desperate need for victory after which it found its way to business operations (Bett, 2003). Mintzberg and Waters (1985) define strategy as a pattern in a stream of decisions and actions that may be deliberate at times, emergent at other times or mixed and mostly based on management intuitions and creativity. They go on to conclude that although formal planning only gives rise to deliberate planning, realized strategy also include emergent strategy.

Thomson and Strickland (1978) define strategy as a management game plan for business practices where the ultimate goal is to achieve the desired result. Hax and Majluf (1996) puts it that the concepts of strategy can be seen as a multidimensional activity that puts together all the critical aspects of the organization so as to provide a sense of unity, direction and purpose as well as facilitating the necessary changes as are induced by environmental turbulence. Another definition comes from Johnson and Scholes (2002, p.10) who define strategy as “the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and to fulfill stake-holders expectations”.

According to David (1999) strategies are the means by which long term objectives of an organization will be achieved. Strategy is therefore concerned with the long term survival of an organization within changing environmental conditions and situations (Bett, 2003). Courtney, Kirkland and Vignerie (1997) argue that all too often, executives take a binary view of situations and thus they may either underestimate uncertainty to come up with the fire casts required by the companies' planning (or capital budgeting process) or they may overestimate it, or still they may put aside all analysis and go with their gut instinct.

Successful business strategy is not just about playing the game that you find being played in the field but more importantly shaping it to your advantage (Brandenburger & Nalebuff, 1995). Aosa (1999) asserts that it is the Chief Executive Officer (CEO) who should be in charge of the whole process and is ultimately accountable for the results of the organization he/she leads. In a study of companies quoted in the Nigerian Stock Exchange, Adegbite (1986) found out that the final responsibility for setting corporate objectives lay with the board of directors although the ground work was done by the CEO in most cases.

Johnson and Scholes (2002) puts it that there are three levels of strategy in the strategic decision-making process of organizations. These are the corporate strategy, business unit strategy and the operational strategy in that order from the top. The corporate strategy gives direction and the overall purpose of the organization. It is the top most and it is aimed at satisfying the various stakeholders' interests. The business unit strategy is the second in the hierarchy and its purpose is to compete successfully in a particular market.

It deals with how customer needs and wants can be met most satisfactorily and successfully.

Finally is the operational strategy, it is basically concerned with the component functions of the organization. This is how for example the human resources, materials, machines and the processes involved can effectively deliver the corporate and business level strategic direction. It covers all the areas of operation of the organization e.g. marketing, research and development, production, personnel, finance procurement, maintenance etc. Its focus is short term and aims at maximizing organizational efficiency for the maximum benefits of all the stakeholders.

2.2 Views of Strategy

Various writers have come up with various views through which to explain strategy. One of this is the process school which considers strategies as emerging from the environmental circumstances and conditions. This makes strategy a function of time among other variables. It is referred to as strategic learning by Mintzberg and Waters (1985). They draw a distinction between deliberate (or planned) strategies and emergent strategies. Their argument is that deliberate strategy focuses on ensuring that managerial intentions are realized in action i.e. control. Emergent strategy is mainly about learning i.e. understanding brought about by taking action.

Rational analytical view is another one. It regards strategy formulation as a formal and disciplined process leading to a well defined organizational wide effort aimed at the

complete specification at organizational strategies (Hax & Majluf, 1996). This view also termed as the design school has been supported by Porter (1980) and Ansoff (1991). Strategy is here regarded as a deliberate effort formulated with the specific objective of defining the long term direction of the organization.

A competing firm can enter the market with such a superior resource and use it in such a way that it invalidates the prior firm's competitive advantage (Barney, 1991). This is the resource based view of strategy. It is an economic tool that is used to determine the strategic resource available to a firm. It requires that, application of the valuable resources that are at the firms disposal, be part of strategic formulation (Peteraf & Barney, 2003).

2.3 The Concept of Strategic Planning

Increasing numbers of government agencies are reported as having adopted some form of strategic planning (Berry, 1994). However, what exactly is strategic planning? Within the public sector, the initiation of strategic planning primarily involves a series of three activities, including first gathering key actors (preferably key decision makers), secondly working through a "strategic thinking and acting" process, and thirdly focusing on what is truly important for the unit, setting priorities for action, and generating those actions (Bryson & Roering, 1988).

Mintzberg and Waters (1985) view strategic planning as a pattern in a stream of decisions. Strategic planning is a highly systematic step by step chronological procedure

involving many different parts of the organizations (Johnson & Scholes 2002). Since organizations are made of human beings, the planning must also include the other employees. Strategic planning requires involvement of all staff, sometime some of the staff may not have the necessary experience, and this necessitates a learning stage which is a continuous process (Yewlett, 2001). Yewlett says plan generation is a cyclic process, involving both generation of new possibilities and analytical reduction of variety. Possibilities to be evaluated and selected include political and technical dimensions.

Strategic planning is analogous to top-level long-range planning (Thune & House 1970). It covers a relatively long period and affects many parts of the organization and it is applied at the highest levels. Short range planning which concentrate on formulation of functional plans is referred to as operational or tactical planning. Examples of operational plans are production schedules and day-to-day plans.

Burnes (2004) says in today commercial world there are few organizations that are able to ignore the basic question of where do we want to go, how and when do we get there? There are many elements that have to be considered in constructing plans that target realistic goals and feasible strategies, market forces, research and development, finance human resources, laws and regulations and cultures are just a few examples.

The precise specification of a corporate strategic planning process depends on the situation that the firm finds itself in (Hax & Majluf, 1996). According to Hax and Majluf

there are certain conditions in a firm that appear to be permanent and are not altered in the planning cycles. They are referred to as structural conditioners and this is the vision of the firm and the mission of the business. Hax and Majluf add that strategy formulation, strategic programming and strategic and operational budgeting are major tasks which need to be updated and revised at every planning cycle.

2.4 Strategic Planning Practice

Eadie (1983) states that the strategic planning practice consists of the following basic activities: First and foremost the organization must have a firm grasp of those aspects of its environment identified as pertinent to its mission and goals. Often called environmental scanning, this activity involves identifying the scope of the scan (international, multinational, national, regional and local), the demographic, economic, technological, cultural, political, and other factors to be scanned, and their implications for the organization. A variety of other activities are involved, including the determination of how much time and other resources to invest in this ongoing intelligence gathering and what techniques to employ.

Secondly the organization must also have a good sense of itself, financially, operationally, and in the human resource dimension. The point of this internal resource audit or analysis is to assess the organization's strengths and weaknesses vis-a-vis particular potential courses of actions (strategies). Thirdly the environmental scanning activity will surface opportunities for new services or new approaches to service delivery within a given service area (Eadie 1983).

Potential strategic targets are compared to the organization's resource base in order to determine as fully as feasible the costs of implementing a particular strategic target. Strategic objectives are selected on the basis of rough cost/benefit analysis. Fourthly the strategies are formulated to achieve the selected targets. In practice, they may be thought of as implementation plans, setting forth the major steps, accountabilities, deadlines, and resource requirements involved in achieving the target.

Eadie (1983) adds that no matter how well-conceived a particular strategy, implementation depends on the allocation of resources to cover the essential costs. What this basically means is that the chief executive officer, and perhaps the legislative body, specifically budget the first year costs (of new or expanded provision of a targeted strategy) in the current or upcoming budget of the organization.

Expanding upon this theoretical process, the literature provides many examples, from simple to complex, of definitions describing strategic planning. Strategic planning has been called a method for aligning an organization with its environment (Burnes (2004). Formal strategic planning has been described as an explicit process for determining the firm's long-range objectives, procedures for generating and evaluating alternative strategies, and a system for monitoring the results of the plan when implemented (Armstrong, 1982). It has been described as a disciplined effort to produce fundamental decisions and actions that define what an organization (or other entity) is, what it does, and why it does it (Bryson, 1988).

Berry (1994) defines strategic planning as a management process that combines four basic features. According to Berry the first step is a clear statement of the organization's mission. The second step is the identification of the agency's external constituencies or stakeholders. While the third step is the determination of their assessment of the agency's purposes and operations, the delineation of the agency's strategic goals and objectives, typically in a 3-5 year plan. And lastly the development of strategies to achieve them.

Perhaps the most definitive description of the strategic planning process consists of eight widely recognized steps: Firstly there is an initial agreement or "plan for planning". Secondly is the identification and clarification of mandates and thirdly is the mission formulation. The fourth step consists of external environmental assessment, while the fifth step is internal resource assessment. The sixth step is strategic issue identification while the seventh is the strategy development. The last step is the development of a description of the organization in the future – its "vision of success" (Bryson & Roering, 1988).

Bryson (1988) on the other hand view strategic planning process in terms of a simple structure he calls the ABC's of strategic planning. He explains that, A is where you are, B is where you want to be and C is how you get there. The vision, mission, and goals of the organization help it move from A to B. Strategy formulation connects A to C and strategy implementation connects B to C. It should be noted that although the steps and stages are presented in a linear order, the process is not linear. The steps may overlap or may happen in parallel or the process may go back and forth.

Bryson (1988) adds that strategic planning process is a deliberate effort aimed at producing core decisions, projection and actions that guide and shape what an organization does, why it does it and what it is .This is a continuous activity whose required pace should be maintained by making timely reviews and dynamic modifications to respond to changing environment and future projections. The overall process can be summarized as a conscious effort to produce prescribed measurable performance within an organization consistent with that organization's mission, vision, and various constituent desires.

2.5 Importance of Strategic Planning in Organizations

The extensive published literature addressing the link between formal planning activities and organizational performance began in 1970 with Thune and House's study of the changes in economic performance associated with formal long-range planning in U.S. firms with annual sales of \$75 million or more (Thune & House, 1970). The study overwhelmingly supported the assertion that organizations using formal long-range planning techniques outperformed similar organizations that lacked comparable planning techniques. Formal planners, from the time they initiated long-range planning through 1965, significantly outperformed informal planners with respect to earnings per share, earnings on common equity, and earnings on total capital employed.

Informal planners did not surpass formal planners on any of the measures of economic performance after long-range planning was implemented. In terms of company

performance before and after the implementation of formal planning, planners experienced a notable increase on all three available measures of economic performance after planning implementation. The increases were as follows: 38 percent in sales, 56 percent in stock price appreciation, and 64 percent in earnings per share (Thune & House, 1970). Herold (1972) verified these findings by subjecting the research conducted by Thune and House to a cross-valuation study, demonstrating once again that formal planners outperformed informal planners.

Malik and Karger (1975) compared the financial performance of firms practicing formal, integrated long-range planning to non planners. They found that the formal planners outperformed the non planners on 9 out of 13 financial performance variables. Similarly, in their study of U.K. companies, Al-Bazzaz and Grinyer (1980) demonstrated that 48 percent of the companies studied reported improved profits and growth following implementation of formal planning. The methodology of these studies was rather basic, and generally included the group to be studied (organizations adopting strategic planning) and a control group (organizations not adopting strategic planning). The study and the control group were then compared over a period of time using a variety of organizational performance measures to reach their conclusions. Clearly, strategic planning is a significant contributor to enhanced organizational performance.

Organizational change, both in terms of the external and internal environment, is a constant concern for managers in both the public and private sector. Thune and House (1970) found that planning was more helpful in markets characterized by a high rate of

technological innovation and new product introductions. Armstrong (1982) also found that formal planning was more important in organizations where emerging changes were large. Therefore, an argument exists that the implementation of formal strategic planning may help organizations cope with periods of substantial change typical to that which is occurring in many state government agencies.

Berry (1994) has identified several factors as particularly influential in explaining an agency's likelihood to adopt strategic planning practices. These factors are, agency resource explanation, agency leadership cycle explanation, agency orientation explanation, and regional diffusion explanation.

Strategic planning is an innovative practice that requires significant commitments of time, money, and human resources. Therefore, an agency's fiscal well-being and overall staffing level has a logical bearing on that agency's likelihood to adopt strategic planning practices. Two conclusions exist regarding this assertion, both grounded in theory of organizational innovation. The first conclusion is that an agency amid fiscal stress will be more likely to innovate and adopt some aspects of strategic planning in an effort to delineate strategies related to effective management with limited resources. The second, opposed conclusion is that an agency with plentiful monetary resources will be more likely to adopt strategic planning due to the extra or "slack" resources that are available to develop and implement the strategic plan.

The sole purpose of strategic planning is to improve strategic performance in an organization (Phillips & Martinho, 2000) and Steiner (1979). Strategic planning is the main activity that sustains strategic management (Karger, 1991). Strategic planning provides a clear vision of where an organization is headed, what is needed and what needs to be done to get there. Strategic planning lays bare the organizations aspirations and goals thereby becoming a very powerful communication tool and provides the management with an opportunity to influence the future of the organization and to control its destiny (Johnson & Scholes, 2002).

Therefore, although strategic planning was once lax in public agencies due to tradition, legislative mandates, and a sense of budgetary entitlement, it would appear as though strategic planning has taken hold in the public sector and is not perceived as a failure, at least by agency directors. Strategic planning helps organizations to adopt and in some cases greatly contribute in the creation of the environment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A case study research design was used. This is deemed an appropriate research design as the study involved an in-depth investigation of the organization's strategic planning practice at NCWSC which was used as a single unit of study. It is a method of study in depth rather than breadth. The case study research method has continually been used by researchers in carefully planned and crafted studies of real-life situations, issues, and problems.

Yin (2003, p.23) defines the case study research method as an "empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used". The case study method deals with the processes that take place and their interrelationship. The objective of the case study method is to locate the factors that account for the behavior patterns of the given unit as an integrated totality (Kothari, 1990). According to Kothari, a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of a study.

Case study research helps in understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or

conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines.

3.2 Data Collection

Primary and secondary data was used in the study. Secondary data was obtained from, written papers, unpublished project reports, NCWSC's business plan, staff magazines (NCWSC news letters), annual reports and records and NCWSC's information management system. Primary data was collected using pre-planned and unstructured interview guide (see appendix 2).

Questions were open and unstructured to allow greater depth and breadth in the responses. The researcher made use of personal interviewing as a mode of communication to allow for flexibility of data collection. This allowed for a vast amount of data to be collected. The interviews took place within the respondents' place of work. They were conducted during less busy times of the day especially very early in the morning or in the evening after work. The researcher clarified questions, prod for deeper insight into issues and generally guided the discussion to focus on the objective of the study. Similar studies (Njau, 2000; Kiptugen, 2003; Muriuki, 2005; Abdulaziz, 2006) have successfully employed this method of data collection.

The respondents were drawn from the top level management. This was because the kind of information being sought required much insight into realities of strategic planning and these were the right respondents to provide the information. The researcher interviewed

six respondents who constituted the Technical Director, Commercial Director and Finance Director. Others were Human Resource Manager, Corporate Planning Manager and Operations and Maintenance Manager. They were very resourceful.

3.3 Data Analysis

Content analysis technique was used to analyze the data because the study sought to solicit for data that is qualitative in nature. Analysis was about searching for patterns of relationships that exist among data groups. Content analysis is “a research tool focused on the actual content and internal features of media. It is used to determine the presence of certain words, concepts, themes, phrases, characters, or sentences within texts or sets of texts and to quantify this presence in an objective manner” (Marshall & Rossman, 1990, p.111).

The data, after collection was analyzed in accordance with the objective of the study. The researcher was trying to investigate and document the strategic planning practice at the NCWSC. The analysis was done by comparing collected data with the theoretical approaches and documentations cited in the literature review. The data obtained from the various management team members was compared against each other in order to get more revelations on the issues under study.

Subjecting the collected data to content analysis allows the researcher to learn more about underlying attitudes, biases or repeating themes. By creating matrices of categories, researchers use the quantitative data that has been collected to corroborate and support

the qualitative data which is most useful for understanding the rationale or theory underlying relationships. In case studies the researcher examines raw data using many interpretations in order to find linkages between the research object and the outcomes with reference to the original research questions. Throughout the evaluation and analysis process, the researcher remained open to new opportunities and insights. The case study method provides researchers with opportunities to use data in order to strengthen the research findings and conclusions.

CHAPTER FOUR: DATA ANALYSIS, RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter is a record of the analysis and findings of the research study and also discussion of the result. The study results were based on the answers from Nairobi City Water and Sewerage Company Technical Director, Commercial Director and Finance Director. Others were Human Resource Manager, Corporate Planning Manager and Operations and Maintenance Manager. They all exhibited a good understanding of the issues under this study.

4.2 NCWSC Profile

NCWSC was incorporated in 2004 as a limited company. It is wholly owned by NCC but it has operational autonomy. It is run by a board of 11 directors. The directors include five from NCC. These are the Mayor, the Town Clerk, the City Treasurer, the finance committee chairman and the W & S committee chairman. These are office holders and the director positions always go to the people holding these offices. The other six directors are drawn from interested customer groups and organizations.

During the formative stages of the company, a structure was developed comprising of six directors headed by the managing director. The other directors are technical, commercial, financial, company secretary and human resource and administration, these comprises the board of management (BoM). Initially these positions were generally filled by former WSD employees.

When the board of directors was appointed, due process was followed to fill these six senior positions. All but the technical director post were filled by persons from the external sectors. The BoM was appointed on a three year contract. When the BoM came in, they reorganized the directorates and came up with new directorate structures. This composed of various departments and sections. Internal advertisements were made, applicants interviewed and the positions filled in August 2005.

The management staff, were appointed on a three year contract. Performance contracts were written and signed for all the employees each with his or her senior derived from the respective department's mother directorate's business plan. Performance appraisals based on the signed performance contracts were done. Only those who attained over 65% in the performance appraisal would continue with their contracts.

The sole purpose of the formation of the company was to improve water and sewerage services provision to the city of Nairobi. This was to be achieved through separation of water and sewerage services from the other services given by the NCC. The revenue obtained from water and sewerage services is reinvested to improve the services. This is termed as ring fencing the water and sewerage and making it develop itself by reinvesting back the proceeds obtained from the trade.

The company structure has ten scales i.e from scale 1 to 10 of which the first five are in management. Scale 1 is the managing director, scale 2 is the functional directors

(directorate heads). Scale 3 is the managers these are the departmental heads. Coordinators who are also sectional heads are in scale 4 and the officers in scale five. All these are currently employed in contracts, 5 years for directors and 3 years for all others. The other scales from 6-9 are the unionizable staff who are permanent and pensionable. Scale 10 are casuals. The management staff are not allowed to join any union.

The company took over from the operations of what was the water and sewerage department of NCC. This meant all assets and liabilities which included W & S infrastructure, all members of staff, offices, vehicles and all unpaid debts that had been incurred as a result of WSD activities.

4.3 Strategic Planning at NCWSC

4.3.1 Vision and Mission Statements

The existence of a vision and mission statement is a good indicator of the existence of strategic planning in an organization. The Nairobi city water and sewerage company has a vision statement. The vision statement provides insight as to where the company aims to be in the future. NCWSC also has a mission statement which defines clearly the business of the organization. These statements are basic steps in the development of strategic planning. In addition to these the company also has a quality statement which was developed as the company went for ISO 9001-2000 compliance.

4.3.2 Key Strategic Issues at NCWSC

After the company came into being, the first strategic plan was developed in 2005. These went together with the development of business plans for the six directorates and the then five business centers.

To enhance efficiency of service delivery, Nairobi water service area was divided into five regions. These are Northern, Southern, Western, Eastern and Central regions. An other one, North-Eastern was curved later to enhance efficiency which made them six. These are the company's business centers. Each is headed by a regional manager and they have considerable autonomy.

To document and analyze strategic planning issues a cooperate planning department was created. It is headed by the corporate planning manager. Its work is to document and communicate corporate strategic plan, then coordinate the formulation of business and functional plans and document them. The department also does continuous performance evaluation of the business centers, departments and stations. It also calculates the amount of bonus to be given as a performance reward.

Water and sewerage services provided by NCWSC were concentrated in Nairobi. Other areas initially supplied with water by the WSD of NCC were cut off. Some of these areas are Gatundu, Ngethu, Sasumua and Githunguri.

All management personnel were employed through 3 year renewable performance contracts. This was supposed to keep employees on their toes and ensure they perform well to continue in employment and more so for renewal of contract. Annual performance contract is signed by every employee. Quarterly performance appraisals are done to every employee to encourage and evaluate individual performance accordingly.

To increase water availability to needy customers more sources of water were sought. In corroboration with AWSB bore holes were sunk in piped water scarce areas. In some cases the water is put in the water distribution system while in others, water kiosks are set up for people to buy water directly. In this case a jericane of 20 liters is sold at 2 shillings. Other water vendors sell the same amount of water at between 10 and 50 shillings.

Some services especially cleaning and security were out sourced. This increased efficiency and reduced costs in their provision. Employment of casual workers in contracts was introduced to reduce work backlogs.

ISO 9001-2000 and later ISO 9001-2008 compliance and certification were sought. This ensured following of procedures and systematic documentation. Periodic compliance audits assists in keeping employees to the required practice standard.

Table 1: Key Players in the Strategic Planning Practice

Board of directors	Guide the practice
Managing director	Overall leader of the practice
Functional directors	Lead respective directorates
Cooperate planning manager	Coordinator
Other senior managers	Participants

Source: Research Data

There are various key players in the strategic planning practice in NCWSC as shown in table 1 above. Each player or set of players has a specific roll. To ensure that the practice is successful cooperation between the players and coordinator of the activities is done through effective communication. All the rolls played are complementary to one another.

4.3.3 The Strategic Planning Practice at NCWSC

Formal strategic planning in NCWSC started in year 2005 with the launching of a strategic plan covering July 2005-June 2008. During the same period company vision and mission statements were developed. Master plans have been used for much longer periods as important planning and management tools even in what used to be WSD of NCC. These were mainly used in projected infrastructure development to match projected future increase of demand. Master plans are long term projections some spanning to over thirty years.

In year 2008 another strategic plan was developed for 5 years to cover the period July 2008-June 2013. The methodology of development of these planning tools is always inclusive. The managing director together with functional directors and senior managers congregate at a workshop to deliberate on strategic planning. The draft is then finalized by a selected team chaired by the corporate planning manager. The process involves a thorough assessment of the internal and external environments to determine the current position and provide alternative future positions. The resultant draft is then discussed by the board of management to make any final amendments. The draft is then given to the corporate planning manager to write it properly before being presented to the board of directors by the MD for approval. Once the strategic plan is approved, it is communicated downwards to heads of directorate and departmental heads and eventually to all employees. This is done for each strategic period.

The board of management then meet to develop annual business plan for the coming year from the strategic plan. A workshop is then arranged, usually outside Nairobi to be attended by all senior and most of the middle management groups of NCWSC. Each head of department is asked to draw the departments' annual operational plan from the company business plan. The heads of departments then present their annual operational plans one by one to the whole group for discussion. This is done every year.

It is from the operational plan that the heads of departments (managers) draw their annual performance targets, which are appraised every 3 months (quarter). There are quarterly

retreats to review performance after every quarter and make resolutions of what will be done the following quarter. This takes part together with team building activities.

Annual performance contracts are signed between every employee and his/her supervisor. Appraisals are done quarterly. The performance appraisal is currently top bottom. There is a deliberate move to make performance appraisal more intertwined, from January 2010 it is planned to be two way. The senior will appraise their junior and vice versa. There will be appropriate arrangements to avoid tradeoffs.

Performance evaluation and monitoring are carried out by the corporate planning department lead by the corporate planning manager. This is a continuous process that take place throughout the year as implementation is being done. The results of the evaluation are accumulated and compounded for each department at the end of the year. End of year bonus is then given to each departmental employees based of the results of the evaluation. The amount of money for bonus is determined from a formula with certain parameters generally different for different departments depending on their core activities.

Throughout the year the senior management at NCWSC do not lose sight of the strategic planning practice. This includes reminding the employee of their targets every time there is a chance and especially in monthly general staff meetings.

To improve performance the company has also embraced ISO 2008 compliance. This has improved a lot in terms of adherence to work procedures and recording. ISO audit by external audits is also done twice a year. This is in addition to continuous internal audits.

4.4 Benefits of Strategic Planning Practice at NCWSC

There has been increasing benefits since the practice of strategic planning started to be carried out at NCWSC generally due to improved performance. Average monthly revenue collection has almost doubled. The ‘unaccounted for water’ has reduced from 52% to 38%. General customer satisfaction has increased.

The employees are now more motivated and proud of working for NCWSC and are also more respected by the corporate world. There has been a responsive NCWSC-public partnership where toll free numbers have been given for the public to give information. Many reports are received daily from the public.

4.5 Discussion

The results obtained from the study indicate that NCWSC has adopted strategic planning in the last five years. This was mainly in response to changes in the water sector. The genesis of the changes was mainly the enactment of the water Act 2002 which required water services to be ran separately and commercially. This went together with changes in top management as the service provision changed form the hands of the then Water and Sewerage Department of the City Council of Nairobi to NCWSC. The environment changed and became more demanding as the government gave targets of improvement of

service delivery including infrastructure expansion, despite increasing population and enlightenment which increased demand on both quantity and quality. There was constraint in adequate improvement of water production to correspond with increase of demand due to lack of finance considering the huge financing required to establish commensurate water production centers.

Strategic management was seen as the only way to go for the NCWSC to survive in this turbulent environment. This is consistent with the empirical findings from previous studies in strategic planning practices in various organizations (Aosa, 1992; Kiliko, 2001, Sharbani, 2001; Bett, 2003; Abdulaziz 2006; Agusioma, 2007).

The results of the study also agree with the strategic planning theory that organizations result to strategic planning in response to turbulent unpredictable environment (Grant, 2003). It is evident from the results that after adopting strategic planning, the performance of NCWSC has improved in various ways consistently over the years. This also agree with strategic planning theory that strategic planning results in superior performance (Miller & Cardinal 1994).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 This chapter gives a summary of research findings and gives conclusion in relation to the objective of the study.

5.1 Strategic Planning Practices

The research objective was to investigate and document strategic planning practices at the Nairobi City Water and Sewerage Company (NCWSC). The study investigated a number of variables of interest touching on strategic plans, business plans, operational plans, and objectives.

The strategic planning practice in NCWSC is both formal and informal. There is a corporate planning and evaluation department within the establishment of NCWSC meaning that planning and evaluation is considered essential. The company has developed strategic plans and business plans twice. The first was for 3 years, July 2005-June 2008. The second and current is for five years July 2008 to June 2013. This means that strategic planning started to be actively practiced in 2005.

The CEO and the top management (i.e. the board of management) were prominent in both conceiving of the mission statement and in the formulation of the strategic plan. Strategic planning in NCWSC can thus be concluded to have started with the company in which senior management have taken a leading role.

Various techniques are used in the development and formulation of strategic plans. These include SWOT analysis, setting of long term goals, analysis of key success factors, analysis of key performance indicators, annual goals, customer service surveys etc. The problems faced in the formulation of this strategic plans relate to unpredictable weather patterns leading to water shortage or disruption, increase in inputs prices, uncooperative customers in bill payment and GoK price control of the product.

Key success factors are monopoly, ready and expansive market, direct obstruction of raw materials (water), and experienced staff. Others are elaborate infrastructure, available skilled labour and government support.

Government pronouncement and policies are always considered as main guides in the formulation of strategic planning. The team that comes up with the plan is aware that it must comply with the wishes of the government although the government announcements are few and far between.

To get a view of what is happening NCWSC use SWOT analysis as a tool. Benchmarking with other service providers both in the country and internationally is also used. Examples of those in the country are Nyeri Water Company, National Water Corporation, Kisumu Water Company and Eldoret Water Company.

The external environment is assessed using PESTEL as a tool. This involves a comprehensive investigation of the political, economic, social, technological, ecological

and legal factors. This is done in regard to current and projected future trends in the external environment.

5.2 Conclusions

The research study finding shows clearly that NCWSC has in place strategic planning practice. A high sense of commitment is exhibited by the key players all of whom have their roles clearly defined. The process is sequentially designed to flow smoothly.

Being a public organization, NCWSC cannot pursue any strategies and policies it wishes. Government control and NCC control are continuous constraint. However it is important to say that NCWSC is experiencing much more autonomy than used to have its predecessor the WSD of NCC.

Effective structures are in place for strategic planning practice. There is effective communication among the required organs of the company. The roles of all players are clearly defined. Strategic planning practice at NCWSC is top down.

There is an overall improvement in the service delivery since strategic planning started being practiced by NCWSC. Accountability has also improved and so has general staff motivation and commitment.

5.3 Recommendations

Strategic planning practices should involve all the employees. This will make them feel as owners of the practice and become motivated. Consequently productivity will increase and benefits will be felt by all stake holders.

More time should be allocated to strategic thinking. A reward system should be established for idea generation to encourage employees to come up with new ways of doing things. A bottom up model of strategic planning can be tried for more ideas and synthesis.

5.4 Limitations of the Study

All the respondents were senior and very busy people and could only give limited time to the personal interviewer. This to some extent may have limited the amount of information obtained in the study.

There were also limitations on the resources available to the researcher. A case study is subjective in nature and therefore the research findings can not be generalized or directly applied to other organizations.

5.5 Suggestion for Further Research

It would be interesting to carry out a study on strategic planning in other water service providers. A study of comparison between strategic planning in water companies and that in the ministry of water in relation to provision of services is suggested.

A study can also be under taken to determine the effect of government announcements and policies on the performance of water service providers. This should establish how performance would be affected if the water providers are allowed to operate like private business.

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Appendix 1: Letter of Introduction

Dear Respondent

RE: STRATEGIC PLANNING PRACTICES AT NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED

I am a post graduate student at the University Of Nairobi, School Of Business. I am currently undertaking the above named research project in partial fulfillment to the requirement of the award of Master of Business Administration Degree. In order to achieve this, I humbly request for your assistance in answering the questions on the attached interview guide and to answer any other subsequent question. All this is in order to generate data for the study.

The research aims at studying strategic planning practices at NCWSC. The objective of the study is to establish and document the strategic planning process at NCWSC. The information collected will be used only for academic purposes and will be treated in the strictest confidence. Your name will not be mentioned in the report. A copy of the completed research report will be availed to the organization upon request.

Your assistance, contribution and cooperation on this will be highly appreciated.

Yours truly,

Abraham Karanja Mbugua

M B A Student

Prof. Evans Aosa

Supervisor

Appendix 2: Data Collection Checklist

SECTION A: RESPONDENT'S PROFILE

Position held in the Organization

Directorate

Years of experience in the Company

Years of Management experience

SECTION B: STRATEGIC PLANNING PRACTICES AT NCWSC

1. Describe the strategic planning process at Nairobi City Water & Sewerage Company Limited.
2. Is there a vision described or articulated of where and what the NCWSC wants to be in the future? What's the organizational vision?
3. Does the NCWSC have a written mission statement? Are the mission and core purposes of NCWSC accurately reflected in the organization's strategic plan and planning process? What's the organizational mission's statement? What are the NCWSC's strategic objectives?
4. Who conceived the idea of vision/mission statement? What were the reasons for calling for the strategic planning process? What were the key challenges facing the organization?

5. How was the preparation for the strategic planning practices done? What went well? What did not go well?
6. Describe your organizational strategic planning practices and the structures in place. Describe the main steps?
7. What went well during the formulation of the strategic plan? What did not go well? How can formulation of strategic plans be improved?
8. Does NCWSC have a documented strategic plan? Are the vision and mission purposely and accurately reflected in the NCWSC's strategy? To what degree is it accepted and embraced by the NCWSC employees?
9. What role do you play and how much time do you commit in the process of NCWSC strategic planning? Who else was involved in the strategic planning process? How much time did each spend in strategic planning?
10. What mechanisms and structure has the organization put to enhance creativity and innovation in strategic planning practices?
11. How was the strategic planning practices monitored? What tools and systems were used? What went well? What did not go well? How can monitoring and evaluation of strategic planning practices be improved?
12. On the whole, are you satisfied with the strategic planning practices at NCWSC? In your opinion how has strategic planning improved performance in NCWSC? What recommendations would you have for improving or revising the strategic planning practices?

THANK YOU VERY MUCH FOR YOUR CO-OPERATION