

**AN INVESTIGATION ON THE EFFECTIVENESS OF STRATEGY  
FORMULATION AND IMPLEMENTATION AT KENYA POWER AND  
LIGHTING COMPANY LIMITED**

**BY  
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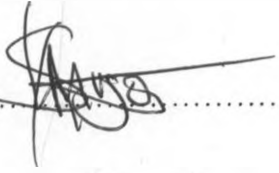
**NOVEMBER, 2010**

## DECLARATION

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

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D61/71448/2008

Signed.....

Date.....15/11/2010

This management project report has been submitted for examination with my approval as the University supervisor.

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## DEDICATION

To my family my wife, children, dad, mum brother and sister for their unwavering support. It is through your support, prayers and selfless assistance that this was possible. I will forever remain indebted to you all.

## ACKNOWLEDGEMENTS

This Research project is a product of many people's efforts. My sincere gratitude goes to all who contributed towards the completion of this project. I will forever be grateful. I especially want to thank my supervisor, Dr. Zack B. Awino PhD for his unreserved guidance through this project. My sincere gratitude for his constant advice and constructive criticism this project has been completed.

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## **LIST OF ACCRONYMS AND ABBREVIATIONS**

KPLC	Kenya Power and Lighting Company Limited
IPP's	Independent Power Providers
ERC	Electricity Regulatory commission
SWOT	Strength Weaknesses Opportunity and Threats
BSC	Balanced Score Card

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## ABSTRACT

This study sought to understand the effectiveness of strategy formulation and implementation at KPLC and how the company has responded to the challenges of formulating and implementing its strategies. The rationale of the study arose out of the realization that previous reforms at KPLC have been mainly due to donor pressure and poor performance. However, there was need to identify what initiatives were being undertaken to ensure continuous improvement that strives towards world-class status. The demand for power in the country had skyrocketed to 6000, Gigawatt hours annually. Coupled with a government set target for connection of 200,000 new customers annually, and a service charter that has just been made public through the media, KPLC has to look for strategies of improving services provision to meet these growing demands and satisfy its customers. This research project was a case study at KPLC. The objective of the study was to establish the effectiveness of strategy formulation and implementation of 5 years strategic plan (2003) at KPLC. In order to meet this objective, this study utilized both secondary and primary data. Primary data was collected through structured and semi-structured questionnaire. This was to be dispatched to all selected respondents in the company through the company's internal mail delivery system and feedback was given through the same system. The personal interview guide was utilized which was self-administered. Secondary data was drawn from internal circulars, KPLC website, newsletters and articles written about KPLC. Content analysis was used in the analysis of this data. This approach helped elucidate on the feelings of the interviewees on how KPLC carries out its strategy formulation and implementation process. The researcher recorded and later analyzed the presence, meanings and relationships of such words and concepts, then made inferences from them. The study established that strategic formulation is more formalized and is a onetime under-taking within the planning cycle with annual evaluation and control mechanism put in place to monitor its implementation. The planning system does not have any planning timetables after the formulation of the first strategic plan hence the heads of departments, divisions and sections are left to supervise the implementation in their functional areas with no time dedicated to review and environmental scanning. According to the respondents, KPLC has responded to the challenges in the whole of strategic management process in the organization. One example is the decentralization of the company services by creating Strategic Business Units all over the countries which are responsible and accountable of their activities in this respective areas. In response to the challenge of service delivery efficiency the company has developed service delivery standards (see appendix ix) which has been communicated to the public through the press (Radio, Newspapers and all radio stations) and provided additional resources to facilitate expansion into new markets. To enhance the achievement of its goals the company has developed new vision, mission and core values (see appendix vi). Just like any other organization undergoing change, KPLC has encountered resistance to change from some members of staff. But however through increased communication, training and recruitment of new staff, the resistance has been contained. This has led to improvement in service delivery.

This study sought to understand the effectiveness of strategy formulation and implementation at KPLC and how the company has responded to the challenges of formulating and implementing its strategies. Further research on effective strategy formulation and implementation can be carried out on other public institutions in Kenya and a cross-sectional survey design used to compare and make generalizations. It will also be interesting to carry out a replicative research at KPLC in the year 2013 to find out how the second strategic plan was operationalized.

**KEY WORDS**

**Effectiveness**

**Strategy**

**Formulation**

**Implementation**

**Kenya Power and Lighting Company Limited**

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

All organizations engage in the strategic management process either formally or informally. Strategic management is equally applicable to public, private, not-for-profit, and religious organizations.

Strategic management is the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs.

Heinz and Harold (1993) argue that in today's world most organizations operate in very competitive environment, and thus are constantly engaged in strategy formulation and implementation, which in an environment of uncertainty no one can be sure of what the internal as well as external environment will be next week, let alone a future period. Strategically positioning oneself is a must in a dynamic environment. After strategies have been formulated and long-term objectives set the task of operationalizing, institutionalizing and controlling the strategy then begin. These task signals a critical new phase in the strategic management process, translating strategic thought into strategic action, shifting from formulation to implementation, observes Pearce and Robinson (2004).

The business operating environment has undergone tremendous change over the last few decades that have necessitated business managers to adopt proactive strategies for survival, growth and development. It has been observed that those organizations that have ignored these changes and failed to react or to proact, have been compelled to shut down or to drastically curtail the scale of their operations (Thomas Hayhoe and Ass, 1990)

### **1.1.1 Strategy Formulation**

“Strategic formulation and is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment.” (Lamb, 1984)

The objectives of strategy formulation include; understanding the products of strategic planning, and learning the key to successful planning and implementation. Drucker (2006), states that companies that enjoy enduring success have core values and a core purpose that remain fixed, while their business strategies and practices endlessly adapt to a changing world. The dynamism of preserving the core while stimulating progress is the reason for companies to renew themselves and achieve long term performance.

### **1.1.2 Strategy Implementation**

Kaplan and Norton (2006) state that once strategies have been developed, they need to be implemented. Without successful implementation, the company will not obtain the results that were intended. This would imply that targets for say revenue growth if not well articulated on the mode of achieving them, may not be realized and thus cause a back tracking in the ultimate target set. A well developed strategy will have to be executed well if we expect to obtain success in our operations. While implementation of strategy is such an important activity, it is not easy. Many excellent strategies fail when attempts to implement them are made. It is of critical importance that a company's daily activities and work efforts directly relate to accomplishing the strategic plan. It will be impossible to implement strategy if this link is not made. In order to achieve such a link it is necessary that the company's strategy is in line with several critical components in the company. Such components include structure, leadership, culture, resources and support systems. It is also necessary that the strategy be made operational. The strategy has to be recast and translated into shorter time frames appropriate for implementation. Resources need to be allocated in accordance to the priorities identified in the strategic plan.

There is also need to develop policies that will support the strategy being implemented .It is important that the company energies and efforts flow in the direction of the strategy execution. The more this is the case; the more strategy implementation stays on track.

In the past, from a global perspective, the vast majority of organizations in Kenya operated in a regulated, privileged and protected environment (Minister for Finance, Kenya 2003).

This position was to change fundamentally during the 1980's when technological advances greatly reduced the trade barriers of communication and geographic distances (World bank report, 1991). The liberalization and globalization of the world economy further reduced these barriers allowing for foreign companies to participate in domestic markets. Under the protected trading regimes, it was common place to find lethargic over-established organizations whose only claim to existence was their often monopolistic and protected status. Bhaya (1967) notes that Public Sector Enterprises (PSE's) operate in a social milieu where a number of external factors are continuously impinging upon and affecting internal corporate logic and motivation. As such, there was no urgency to improve performance through efficiency and quality operations. To be successful in the global trading environment, companies today have to compete not only against domestic competitors, but also against the best companies in the World (Drury, 2000)

The benefits attributed to effective strategy formulation and implementations are many and varied. However, a summary of these benefits would include: a means for analysis and strategic thinking, better coordination of the organizations activities, effective allocation of resources, improved monitoring of performance, clear and well defined objectives, better communication and a general improvement in performance (Thompson, 1990; Carter, 1999; Graetz, 2002; Johnson and Scholes, 2002)

### 1.1.3 Strategic Plan

Strategic planning occurs at two major levels, namely: Corporate level and business level. At Corporate level it involves examination of the current and anticipated factors associated with customers and competitors (external environment) and the firm itself (internal environment), envisioning a new or effective role for the firm in a creative manner, and aligning policies, practices, and resources to realize that vision.

At corporate level, the analysis and choice is mainly concerned with determining the appropriate business portfolio. Strategy is a very broad term which commonly describes any thinking that looks at the bigger picture. Successful companies are those that focus their efforts strategically. To meet and exceed customer satisfaction, the business team needs to follow an overall organizational strategy. A successful strategy adds value for the targeted customers over the long run by consistently meeting their needs better than the competition does. Strategy is the way in which a company orients itself towards the market in which it operates and towards the other companies in the marketplace against which it competes. It is a plan an organization formulates to gain a sustainable competitive advantage

Corporate strategy seeks to develop synergies by sharing and coordinating staff and other resources across business units, investing financial resources across business units, and using business units to complement other corporate business activities. Strategy answers the following questions: What are the sources of the company's sustainable competitive advantage? How a company will position itself against competition in the market over the long run to secure a sustainable competitive advantage? And lastly, what are the key strategic priorities?



At business level the chief concern is how to compete in a business i.e. competitive strategy. An organization's core competencies should be focused on satisfying customer needs or preferences in order to achieve above average returns. This is done through Business-level strategies. Business level strategies detail actions taken to provide value to customers and gain a competitive advantage by exploiting core competencies in specific, individual product or service markets (Pearce and Robinson, 2002). The functional level addresses the efficient utilization of the allocated resources.

It involves managers addressing co-ordination of activities within their functional areas. These activities are important for purposes of effectively supporting the business unit strategy (Hax and Majluf, 1991). All these levels of strategy need to be properly coordinated as they have a bearing on each other's performance.

#### **1.1.4 Kenya Energy Sector**

The energy policy was conceived with the appreciation that the overall national development objectives of the government of Kenya are accelerated economic growth and rising productivity of all sectors, equitable distribution of national income, alleviation of poverty through provision of basic needs, enhanced agricultural production, industrialization, accelerated employment creation and improved rural-urban balance. The realization of these objectives is only feasible if quality energy services are made available in a sustainable, cost effective and affordable manner to all sectors of the economy ranging from manufacturing, services, mining and agriculture to households. The need for an integrated comprehensive national energy policy cannot therefore be gainsaid.

There has been no systematic attempt to undertake an integrated and holistic energy planning for the purpose of policy formulation or analysis in Kenya to date. Such planning, which should be based on prudent analytical principles, would consider energy sources and the consuming sectors and projection of future energy demand and associated supply based on least-cost options. There are many challenges currently facing the energy sector in Kenya, including: Expanding and upgrading of energy infrastructure; Promotion of energy efficiency and conservation; Mobilizing requisite financial resources for operation and expansion of energy services consistent with rising demands; Ensuring security of supply through diversification of sources and mixes in a cost effective manner; Increasing accessibility to all sectors of the population; and Improving corporate governance and accountability.

The goal of the Government is to ensure adequate, quality, cost-effective and affordable supply of energy to meet development needs, while protecting and conserving the environment. Specific objectives include: Provide sustainable quality energy services for development; Utilize energy as tool to accelerate economic empowerment for urban and rural development; Improve access to affordable energy services; Provide an enabling environment for the provision of energy services; Enhance security of supply; Promote development of indigenous energy resources; and Promote energy efficiency and conservation as well as prudent environmental, health and safety practices.

In 1997, the government enacted Electric Power Act No. 11 of 1997 to replace CAP 314 in order to take new developments on board and to make it more responsive to private sector participation in the provision of electricity service.

Despite this positive policy development, it has however been found that the Act is still inadequate in terms of providing incentives to the private sector and in accelerating electrification in the country. In addition, the petroleum Act, Cap 116 has been found to be grossly inadequate in providing an effective regulatory framework for the petroleum industry in consonance with international benchmarks for liberalized markets, while there exists limited regulatory framework for the renewable energy technology. To facilitate prudential regulation and enhance stakeholder interests including boosting of investor confidence an umbrella Energy Act will be enacted into law. This Act will bring under its purview, other energy sources and resources currently not covered in other legislations.

This energy policy framework stresses how energy can be made cost-effective, affordable and adequate quality services will be made available to the domestic economy on a sustainable basis over the period 2004-2023. It recognizes the success of socio-economic and environmental transformation strategies pursued by the government at present and in the future are to a large extent, dependent on the performance of the energy sector as an economic infrastructure. Therefore, this policy framework articulates the current and future policies to realize these growth strategies.

The challenges facing the energy sector today include among others as enumerated below; a weak power transmission and distribution infrastructure due to limited investments in power system upgrading. As a consequence, the economy has been experiencing high electrical power system losses estimated at 20% of net generation, extreme voltage fluctuations and intermittent power outages which cause equipment and material damage including losses in production.

These power system weaknesses coupled with the high cost of power from independent power producer (IPPs) contribute to the high cost of doing business in Kenya. Other power sub-sector challenges include low per capita power consumption at 121kWh and low countrywide electricity access at 15.3% of the total population and 3.8% of the rural population.

The petroleum industry is on the other hand constrained by limited supply facilities for fuels including LPG, domestic production of motor fuels which do not meet international quality standards, inadequate distribution infrastructure in remote parts of the country which contribute to high product prices, price leadership which inhibits competition and insufficient legal and regulatory framework to guide sub-sector operations in consonance with international best practices for liberalized markets, thus exposing the public to health, environmental and safety hazards. In addition and as a result of the inadequacies in the legal and regulatory framework, the sub-sector has witnessed proliferation of substandard fuel dispensing facilities and kerosene and dumping of export fuels for illicit financial gains at the expense of both the consumer and government revenue.

### **1.1.5 Kenya Power and Lighting Company Limited**

Kenya Power Lighting Company Ltd just like any other company is environment serving thus making it an open system. KPLC success therefore depends on its ability to secure resources from the environment and maintenance of its social legitimacy. In this regard KPLC needs to think strategically, translate insights into effective strategies, and lay ground work for adopting and implementing its strategies so as to respond to such dynamic environment (Warsame, 2002).

Implementing strategy is largely an administrative activity and successful implementation depends on working through others, organizing, motivating culture building, and creating strong fits between strategy and how the organization does things (Thompson and Strickland, 2003). It calls for alteration of existing procedures and policies. In most organizations, strategy implementation requires a shift in responsibility from strategists to divisional and functional managers (Kazmi, 2002). It is therefore important to ensure successful implementation. The implementers of strategy should therefore be fully involved in strategy formulation so that they can own the process.

Management issues to strategy implementation include establishing annual objectives, devising policies, allocating resources, altering an existing organization structure, restructuring and reengineering, revising reward and incentive plans, minimizing resistance to change, matching managers with strategy, developing a strategy supportive culture, developing an effective human resource function and if necessary, downsizing (David, 2003)

Kenya Power Lighting Company was incorporated in 1922 as the East Africa Power and Lighting Company (EAP&L). It became the Kenya Power & Lighting Company Ltd. in 1983. The majority shareholder of KPLC is the Government of Kenya and its institutions, while private shareholders through Nairobi Stock Exchange own the rest. Before a major restructuring of the power sector in 1997, KPLC managed all the country's power generating stations on behalf of the government. KPLC owned only a few small hydro stations and thermal and diesel generating plants.

These were Mesco, Ndula, Selby and Wanjii hydro Plants with a combined output of 5.4MW, the Nairobi South gas turbine (13.5MW) and the Kipevu gas turbine (30MW).KPLC owns and operates the entire electricity transmission and distribution system in Kenya .The Company is also responsible for the scheduling and dispatch of electricity to about 1,300,000 customers. The company's key operations include: Ensuring sufficient transmission capacity to meet forecast demand, planning, design, construction and maintenance of the distribution network and customer service.

In 1997, the government liberalized the power generation sector leading to the unbundling of the generation function and allowing entry of other independent power generations. In 1997 KPLC developed its Mission, Vision and Core values in positioning itself for competition and achieving a world-class status as quality service business enterprise (KPLC newsletter, 1997). Restructuring in 2001 with the assistance of a management consultant Price Waterhouse Coopers followed laying emphasis on transforming the business from a centralized functional based organization to decentralized geographical business units structure with an aim of achieving greater efficiency and quality service delivery (KPLC, 2001)

With those quality improvement programmes, changes in the market place and competition, it was desirable to manage and sustain the quality of service achieved through the strategy formulation and implementation programme. There was need to give management and customers' confidence that quality is being met consistently. The company's main functions are carried out under various divisions.

These include Customer Service, Operations & Maintenance, Design & Constructions, Energy Transmission, Rural Electrification, Human Resources & Administration, and Transport & Supplies, Finance, Projects Development & Corporate Planning, Information Technology and Secretarial. Internal Audit, Protective Services and Communications departments fall directly under the Managing Director. The company is further divided into six administrative areas. These are Nairobi, Mt Kenya, Coast, North Rift, Central Rift and West Kenya. All Services offered by the main divisions are replicated in each area, which is headed by an Area Manager.

## **1.2 Statement of the problem**

Strategy formulation and implementation is a continuous and systematic process for making decisions about organization's future, developing the necessary procedures and operations to achieve that future, and determining how success is to be measured. It is a systematic process through which an organization agrees on and builds commitment among stakeholders to priorities which are essential to its vision and mission and to be responsive to the ever- changing operating environment (Kaplan & Norton, 2001).

Strategy involves formulation, implementation and control. But good strategies are only as good as they are successfully implemented. Experience has shown that good strategies have been documented but very little has been achieved in their implementation. The future of these strategies may be attributed to a number of challenges which may not have been addressed adequately at the formulation and implementation stage.

Common challenges in formulation and implementation include; implementation taking too long than anticipated unsupportive processes and procedures, inadequate resources, inadequate training of staff and supporters of strategic decision leaving the organization during implementation (Ateng 2007).

The business environment has fast become a management minefield especially due to the fast pace of changes in the business environment (Namu, 2007). These changes include the emergence of the global economy, greater demand for value for money from customers and fast pace of technological advances. The effect of those is greater competition for all firms, need for innovation more customer driven product/service offerings and greater capacity for the organization to learn and adopt to change.

KPLC's strategy formulation and implementation appeared to focus on providing services at the 'world class' level (Thiga, 1999). Previous reforms have been mainly due to donor pressure and poor performance.

However, there was need to identify what initiatives were being undertaken to ensure continuous improvement that strives towards world-class status. The demand for power in the country had skyrocketed to 6000, Gigawatt hours annually.

Coupled with a government set target for connection of 200,000 new customers annually, and a service charter that is just about to be made public through the media, KPLC has to look for strategies of improving services provision to meet these growing demands and satisfy its customers.



Although there have been previous studies that have dwelt in strategy formulation and implementation amongst Kenyan scholars (Ateng 2007, Kiruthi 2001, Kiliko 2000, Okiro 2006), Challenges of strategy implementation at the ministry of finance in Kenya, the state of strategic management practices in not-for-profit making organizations.

The case of public membership clubs in Nairobi, Strategic planning with NGOS in Kenya and Strategy development processes and factors influencing them at Kenya Pipeline Co Ltd respectively, no known study have focused on the use and effectiveness of strategy formulation and implementation in KPLC given its unique status of being a monopoly. It is this gap that is the motivation for undertaking this research work. This study has two research questions it seeks to answer. Has KPLC used strategy formulation and implementation process effectively? And what challenges does the company face in formulation and implementation of its strategies?

### **1.3 Objective of the study**

The objective of the study was to establish the effectiveness of strategy formulation and implementation of 5 years strategic plan (2003) at KPLC.

### **1.4 Value of the study**

This study will be helpful to the company in re-evaluating whether the formulation and implementation of the strategy has been as successful as designed, and if not, which phases did not go as smoothly as planned, and that need to be revisited and improved upon.

To understand the strategy development process in KPLC and where necessary make recommendations to help and guide strategy formulation and link the same to its implementation.

The findings of this study can be compared with strategic management in other sectors to draw conclusions on how various factors influence strategy formulation and implementation within different contexts. It will serve as a useful tool for top managers in public and private sector organizations in embracing best practices of strategic planning to enhance good performance and service delivery. The study will propose on how KPLC will respond to the challenges in the formulation and implementation process in the organization and what can be done to achieve success. It will identify and recommend key success factors to strategy implementation in the energy sector.

## CHAPTER TWO: LITERATURE REVIEW

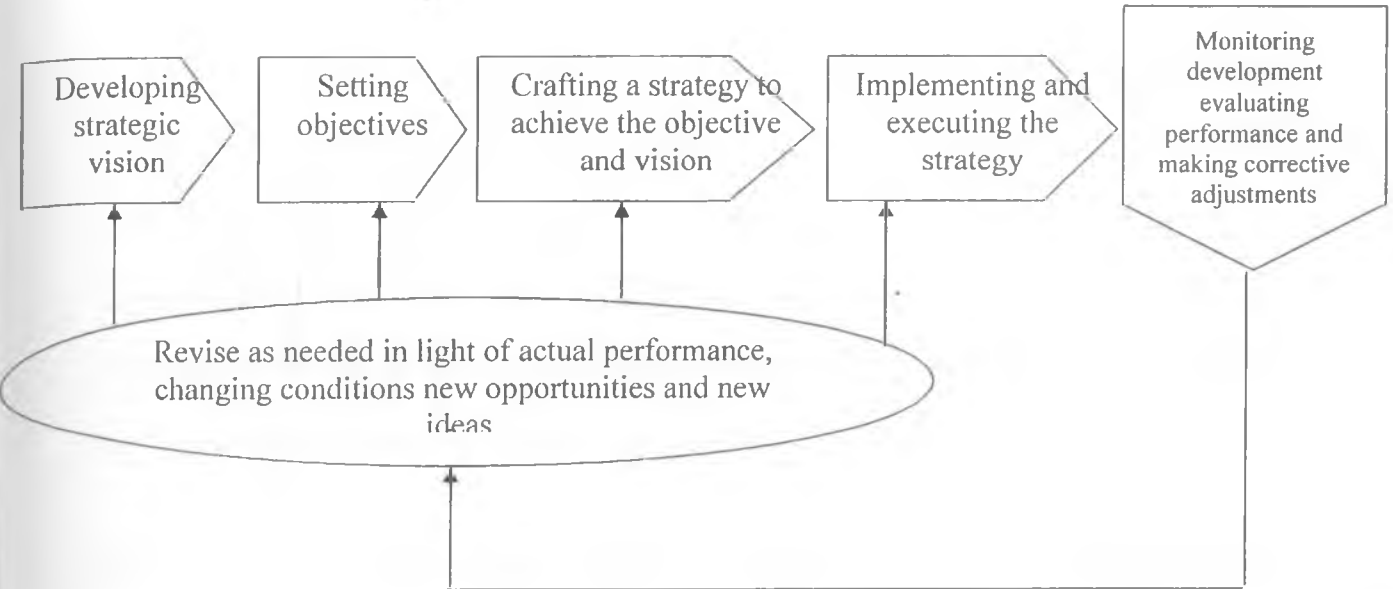
### 2.1 Introduction

The effects of environmental turbulence have not spared the public sector in Kenya. Rose and Lawton (1999) observes that changes have become an enduring feature of organizational life. They observe that few people, currently working in the public, private, or voluntary sectors claim to have been untouched by either the pace or direction of organizational change in recent years.

It is the crucial responsibility of managers to ensure the organizational capacity to survive within the chaotic environment, a feat to be achieved through managers adapting their organization to the changing environment (Pearce and Robinson, 2000). Strategy enables organizations to cope with the environmental changes. Now and again new strategies have to be developed to align the organization to the shifting environment.

#### 2.1.1 Theoretical Framework of strategy formulation and implementation

Effective formulating and executing strategy are the heart of managing a business enterprise. But exactly what is involved in developing a strategy and executing it proficiently? What are the various component of the strategy – making, strategy executing process? The managerial process of crafting and executing a company's strategy consists of five interrelated and integrated phases (figure 1 displays this five – phase process)



**Source:** Thomson A.A. Jr Strickland, A.J, John F. gamble. (2007) *“Crafting and Executing Strategy; concepts and cases”*, Singapore Mc Graw-Hill Irwin. Pg 20

**Figure 1: The strategy-making, strategy –executing process model**

Since management is a pragmatic results-oriented activity, the question needs to be asked whether an abstract concept, such as strategy, can usefully contribute to the firms performance.

In the business firm, concern with explicit formulation of strategy is relatively recent. However, history of business abounds with clear examples of deliberate and successful use of strategy. DuPont’s deliberate and successful movement from explosive into chemicals in the 1920s is one example. Henry Ford’s concentration on the Model T for the emerging mass market was another great success, although his strategy of vertical integration was a failure.

As an alternative to Henry Ford's strategy, considered Durant's vision of a firm founded on a full automotive product line, and Sloan's subsequent rationalization of this vision into a clear set of organizational guidelines building a novel type of firm, called a conglomerate, is another instance of success. So is Sears and Roebuck's farsighted move to suburbia. Examples of studies on strategic management practices in Kenya include Aosa. (1992), Mbagah (2001) and Busolo (2003) and commonly focus on strategy practices in the industrial and private sector firms. Studies done on public sector in Kenya include Kangoro (1998) and Otete (2003).

In his study of strategic planning in public sector in Kenya (Kangoro, 1998) concluded that there existed established missions, objectives and strategies in the public sector but there was lack of top management and employee commitment towards their implementation Otete (2003) found that formal strategic planning is practiced in public sector with top down communication channels being used while the government influences strategic planning processes. A trained business observer can discern a unique strategy in a majority of successful firms. However, while discernible in most cases, strategies are frequently not made explicit. They are either a private concept shared only by the key management, or a diffuse, generally understood but seldom verbalized sense of common purpose throughout the firm.

### 2.1.2 Concept of Strategy

Strategy is the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs. Different scholars gave various definitions; Strategy is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organization (Pearce II and . Robinson, Jr.). Chandler (1962) defines strategy as determination of the basic goals and objectives of an enterprise, the adoption of the courses of action and allocation of resources necessary to carry out these goals.

Mintzberg (1978) also described strategy as a plan, ploy, pattern, position, and perspective. Strategies, as such may be said to be types of plans, which have certain objectives to be achieved. It may include methods and procedures of doing or performing activities to reach the desired goals. Ansoff (1990) defined strategy as a set of decisions making rules for guidance of organizational behavior. According to De Witt and Meyer (1994) strategy embraces all the critical activities of a firm, it provides sense of unity, direction, purpose and facilitating necessary changes induced by environment. De Witt and Meyer recognize strategy as an activity that must take place within the limits of an enterprise financial and other resources.

Organization guided by proactively developed strategies is more likely to have better performance. Those that lack clear-cut direction, and have muddled strategy, or fail to implement strategy that has been formulated are at the mercy of environmental risks and would fail the moment they hit previously unseen obstacles. Formulation and implementation of strategy are therefore very important management functions (Thompson, 1998). Aosa (1992) observes that strategies that have been developed must be implemented. They are valueless unless translated into action. It has been noted by Kiruthi (2001) that poor implementation of an appropriate strategy may cause its failure.

Strategic management as a discipline originated in the 1950s and 60s. Although there were numerous early contributors to the literature, the most influential pioneers were Chandler, Selznick, Ansoff, and Drucker.

Chandler (1962) recognized the importance of coordinating the various aspects of management under one all-encompassing strategy. Prior to this time the various functions of management were separate with little overall coordination or strategy. Interactions between functions or between departments were typically handled by a boundary position, that is, there were one or two managers that relayed information back and forth between two departments. Chandler also stressed the importance of taking a long term perspective when looking to the future. In his 1962 groundbreaking work *Strategy and Structure*, Chandler showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He says it concisely, "structure follows strategy."

In 1957, Selznick introduced the idea of matching the organization's internal factors with external environmental circumstances.

This core idea was developed into what we now call SWOT analysis by Learned, Andrews, and others at the Harvard Business School General Management Group. Strengths and weaknesses of the firm are assessed in light of the opportunities and threats from the business environment.

Ansoff (1965) built on Chandler's work by adding a range of strategic concepts and inventing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies. He felt that management could use these strategies to systematically prepare for future opportunities and challenges. In his 1965 classic *Corporate Strategy*, he developed the gap analysis still used today in which we must understand the gap between where we are currently and where we would like to be, then develop what he called "gap reducing actions".

Drucker (1954) contributions to strategic management were many but two are most important. Firstly, he stressed the importance of objectives. An organization without clear objectives is like a ship without a rudder. As early as 1954 he was developing a theory of management based on objectives. This evolved into his theory of management by objectives (MBO). According to Drucker, the procedure of setting objectives and monitoring your progress towards them should permeate the entire organization, top to bottom. His other seminal contribution was in predicting the importance of what today we would call intellectual capital. He predicted the rise of what he called the "knowledge worker" and explained the consequences of this for management.



He said that knowledge work is non-hierarchical. Work would be carried out in teams with the person most knowledgeable in the task at hand being the temporary leader.

In the 1970s much of strategic management dealt with size, growth, and portfolio theory. The PIMS study was a long term study, started in the 1960s and lasted for 19 years, that attempted to understand the Profit Impact of Marketing Strategies (PIMS), particularly the effect of market share. Started at General Electric, moved to Harvard in the early 1970s, and then moved to the Strategic Planning Institute in the late 1970s, it now contains decades of information on the relationship between profitability and strategy. Their initial conclusion was unambiguous: The greater a company's market share, the greater will be their rate of profit. The high market share provides volume and economies of scale. It also provides experience and learning curve advantages. The combined effect is increased profits. The studies conclusions continue to be drawn on by academics and companies today: "PIMS provides compelling quantitative evidence as to which business strategies work and don't work" - Tom Peters.

The benefits of high market share naturally lead to an interest in growth strategies. The relative advantages of horizontal integration, vertical integration, diversification, franchises, mergers and acquisitions, joint ventures, and organic growth were discussed. The most appropriate market dominance strategies were assessed given the competitive and regulatory environment.

There was also research that indicated that a low market share strategy could also be very profitable. Schumacher (1973), Woo and Cooper (1982), Levenson (1984), and later Traverso (2002) showed how smaller niche players obtained very high returns.

By the early 1980s the paradoxical conclusion was that high market share and low market share companies were often very profitable but most of the companies in between were not. This was sometimes called the “hole in the middle” problem. This anomaly would be explained by Michael Porter in the 1980s. The management of diversified organizations required new techniques and new ways of thinking. The first CEO to address the problem of a multi-divisional company was Alfred Sloan at General Motors. GM was decentralized into semi-autonomous “strategic business units” (SBU's), but with centralized support functions.

One of the most valuable concepts in the strategic management of multi-divisional companies was portfolio theory. In the previous decade Markowitz and other financial theorists developed the theory of portfolio analysis. It was concluded that a broad portfolio of financial assets could reduce specific risk. In the 1970s marketers extended the theory to product portfolio decisions and managerial strategists extended it to operating division portfolios. Each of a company’s operating divisions was seen as an element in the corporate portfolio.

Each operating division (also called strategic business units) was treated as a semi-independent profit center with its own revenues, costs, objectives, and strategies. Several techniques were developed to analyze the relationships between elements in a portfolio. B.C.G. Analysis, for example, was developed by the Boston Consulting Group in the early 1970s. This was the theory that gave us the wonderful image of a CEO sitting on a stool milking a cash cow. Shortly after that the G.E. multi factorial model was developed by General Electric.

Companies continued to diversify until the 1980s when it was realized that in many cases a portfolio of operating divisions was worth more as separate completely independent companies.

## **2.3 Strategy Planning Process**

The strategic management process represents a logical, systematic, and objective approach for determining an enterprise's future direction. Researchers usually distinguish three stages in the process of strategic management: strategy formulation, strategy implementation, and evaluation and control. Strategy planning process includes a business vision and mission; Situation analysis; Setting strategic objectives; Strategic analysis and choice; Strategy implementation and Monitoring and control of strategy.

### **2.3.1 Determining the vision and mission of the firm.**

Thompson and Strickland suggest that the firm's mission and objectives combine to define "What is our business and what will it be?" and "what to do now" to achieve organization's goals. How the objectives will be achieved refers to the strategy of firm. Corporate vision is a short, and inspiring statement of what the organization intends to become and to achieve at some point in the future, often stated in competitive terms. Vision refers to the category of intentions that are broad, all-inclusive and forward-thinking. It is the image that a business must have of its goals before it sets out to reach them. It describes aspirations for the future, without specifying the means that will be used to achieve those desired ends. Bennis (1987), a noted writer on leadership, says: "To choose a direction, an executive must have developed a mental image of the possible and desirable future state of the organization. This image, which we call a vision, may be as vague as a dream or as precise as a goal or a mission statement.

The mission of an organization is the unique reason for its existence that sets it apart from all others (James, Stoner, and Wankel). The organization's mission describes why the organization exists and guides what it should be doing. Often, the organization's mission is defined in a formal, written mission statement. Decisions on mission are the most important strategic decisions, because the mission is meant to guide the entire organization. A mission statement should be a short and concise statement of goals and priorities. In turn, goals are specific objectives that relate to specific time periods and are stated in terms of facts. The primary goal of any business is to increase stakeholder value. The most important stakeholders are shareholders who own the business, employees who work for the business and clients or customers who purchase products and/or services from the business

A mission statement is an organization's vision translated into written form. It makes concrete the leader's view of the direction and purpose of the organization. For many corporate leaders it is a vital element in any attempt to motivate employees and to give them a sense of priorities. A mission statement should be a short and concise statement of goals and priorities. In turn, goals are specific objectives that relate to specific time periods and are stated in terms of facts. The primary goal of any business is to increase stakeholder value. The most important stakeholders are shareholders who own the business, employees who work for the business and clients or customers who purchase products and/or services from the business.

### 2.3.2 Situation Analysis

Once the firm has specified its objectives, it begins with its current situation to devise a strategic plan to reach those objectives. Changes in the external environment often present new opportunities and new ways to reach the objectives. An environmental scan is performed to identify the available opportunities. The firm also must know its own capabilities and limitations in order to select the opportunities that it can pursue with a higher probability of success. The situation analysis therefore involves an analysis of both the external and internal environment. According to Arieu (2007), In order to profitably satisfy customer needs, the firm first must understand its external and internal situation, including the customer, the market environment, and the firm's own capabilities. Furthermore, it needs to forecast trends in the dynamic environment in which it operates.

The purpose of situation analysis is to understand the organization's present situation and to some extent its background that is where it has come from and how it has come to the present. Understanding the position or situation of the firm requires identifying the strengths and weaknesses of the firm as well as the opportunities and threats facing the firm i.e. SWOT analysis. SWOT analysis includes both external and internal analysis. External analysis aims at identifying opportunities and threats in the external environment whereas internal analysis, on the other hand, aims at identifying strengths and weaknesses in a firm's resources and operations or activities.

### 2.3.3 Setting strategic objectives

Strategic objectives are broadly defined target that an organization must achieve to make its strategy succeed. Strategic objectives are, in general, externally focused and (according to the management guru Drucker) fall into eight major classifications: Market standing: desired share of the present and new markets; Innovation: development of new goods and services, and of skills and methods required to supply them; Human resources: selection and development of employees; Financial resources: identification of the sources of capital and their use; Physical resources: equipment and facilities and their use; Productivity: efficient use of the resources relative to the output; Social responsibility: awareness and responsiveness to the effects on the wider community of the stakeholders; Profit requirements: achievement of measurable financial well being and growth.

Strategic objectives are used to operationalize the mission statement. That is, they help to provide guidance on how the organization can fulfill or move toward the “high goals” in the goal hierarchy-the mission and vision. As a result, they tend to be more specific and cover a more well-defined time frame. Zuboff (1988) claims that setting objectives demands a yardstick to measure the fulfillment of the objectives. If an objective lacks specificity or measurability, it is not very useful, simply because there is no way of determining whether it is helping the organization to move toward the organization’s mission and vision.

Most of strategic objectives are directed toward generating greater profits and returns for the owners of the business, others are directed at customers or society at large. The objectives should be:-Measurable. There must be at least one indicator (or yardstick) that measures progress against fulfilling the objective, specific- this provides a clear message as to what needs to be accomplished, appropriate-It must be consistent with the vision and mission of the organization, realistic-It must be an achievable target given the organization's capabilities and Opportunities in the environment. In essence, it must be challenging but doable, timely-there needs to be a time frame for accomplishing the objective. After all, as the economist Keynes once said, "In the long run, we are all dead!"

### **2.3.4 Strategic Analysis and Choice**

Strategy analysis is the process of evaluating different alternative strategies available with the organization. The pros and cons of the aforesaid alternatives are evaluated and a suitable strategy is chosen for implementation. Environmental analysis is the study of the organizational environment to pinpoint environmental factors that can significantly influence organizational operations. Environmental analysis will help you understand what is happening both inside and outside your organization and to increase the probability that the organizational strategies you develop will appropriately reflect your organizational environment. In order to perform an environmental analysis, you must thoroughly understand how organizational environments are structured. In 1973, Henry Mintzberg found that for purposes of environmental analysis, you can divide the environment of your organization into three distinct levels: internal environment, operating environment, and general environment.

### 2.3.5 Strategy Implementation

The strategy likely will be expressed in high-level conceptual terms and priorities. For effective implementation as elucidated by Porter (1980), it needs to be translated into more detailed policies that can be understood at the functional level of the organization. The expression of the strategy in terms of functional policies also serves to highlight any practical issues that might not have been visible at a higher level. The strategy should be translated into specific policies for functional areas such as; Marketing research and development, procurement, production, human resources, Information systems.

In addition to developing functional policies, the implementation phase involves identifying the required resources and putting into place the necessary organizational changes. Operationalizing strategy or developing functional plans and tactics, sometimes known as operational plans and tactics is the first step in strategy implementation. These translate a strategy into plans and tactics which are implementable. Each functional area develops plans and tactics necessary for implementing a strategy. It is important here to match strategy to the firm's resources. Success in strategy implementation requires carefully matching each of the following institutional factors to strategy; Structure, culture, leadership, policies.

Resource allocation is critical in strategy implementation. Most strategies need resources to be allocated to them if they are to be implemented successfully. Resources allocation process based on the contribution of the proposed resources towards the fulfillment of the organization's mission and objectives. The task is to move resources towards areas which deliver organization's objectives.



This similar to the concept of allocating or moving funds under Boston Consultancy Group (BCG) product portfolio matrix, its support of key strategies (the support of core competence and enhancement of the value chain and the level of risk associated with a specific proposal, high risk means lower likelihood that strategy will be successful. Strategy implementation include:-Building a firm capable of carrying out strategy successfully, Allocating ample resources to strategy-critical activities, establishing strategy-supportive policies, instituting best practices and programs for continuous improvement, installing support systems, tying reward structure to achievement of results, creating a strategy-supportive corporate culture, exerting strategic leadership. A strategy may be good, but could fail if not properly implemented (Aosa, 1992).

#### **2.4 Challenges in Strategy Formulation and Implementation**

Strategy formulation and implementation involves managing numerous intangible variables such as motivation and commitment of people, values and culture, organizational behavior and power relationships( Mobisa, 2007).In this sense, it represents the “soft” side of strategic management. In addition implementing a strategy also entails such “hard” elements as developing functional policies, determining the organization’s structure and designing reward systems. According to Burnes (1996), many organizational characteristics like structure, culture, policies and managerial style can act to constrain strategy formulation and implementation.

*Organizational culture* is one aspect that presents a challenge to most organizations. Every organization is a unique culture-its own history, its way of approaching problems and conducting activities, its own mix of managerial personalities and styles, its own patterns of “how we do things here”, its own set of war stories and heroes, and its own experiences of how changes have been instituted (Thompson and Strickland, 1996). A strong corporate culture founded on ethical business principles and moral values is a vital driving force behind successful strategy formulation process (Sterling: in Michael, 2004). The management team has a responsibility of realizing the challenge of striking a balance between the formulation process and the organization’s culture (Thompson and Strickland, 1996).

*Coupling strategy development and implementation:* Assumption that top management can plan strategy implementation at the top and then cascade it down is not tenable. They should be cognizant of the fact that how top management conceive strategy is not the same as how those in lower cadre conceive of them ( Johnson and Scholes, 2002).Further strategy development and implementation should be seen together hence persons who will implement the strategy should be involved in its formulation( Pearce and Robinson, 1997)

*Strategy and resource allocation:* It should be possible to implement the chosen strategy with the resources available. These comprise of physical, financial, human and technological resources (Thompson, 1990).Resource allocation is central management activity that allows for strategy execution. It is not possible to implement a strategy that requires more resources than can be available by the organization (Mobisa, 2007).

Strategic management enables resources to be allocated according to priorities established by annual objectives. Budgetary allocations indicate that management is committed to the strategic plan. According to David (1997), lack of sufficient knowledge, overprotection, organizational politics, too much emphasis on short run financial criteria among others can hinder effective resource allocation.

*Matching the strategy with structure:* Changes in strategy brings about internal problems which require new structure if the strategy is to be successfully implemented.

According to Johnson and Scholes (2002), organizations can be captured by their structures and systems because structure dictates how policies and objectives are established. Further resource allocation is dependent on the kind of structure the organization has. Whilst there is no one optimal organizational structure or design for a given strategy or type of organization, it is important to note that when the organization changes its strategy, the existing organizational structure may become ineffective (Pearce and Robinson, 1997)

*Linking performance, rewards and pay to strategies:* According to Johnson and Scholes (1999), efforts to link organization's reward system to strategic performance can result to effective strategy implementation. Incentives such as salary raise, fringe benefits, promotions, praise, recognition, increased job autonomy among others can encourage managers and employees to push hard for successful strategic implementation.

*Leadership:* Strong leadership is essential element in effective strategy formulation and implementation. According to Pearce and Robinson (2002), two leadership issues are of fundamental importance: the role of the Chief Executive Officer (CEO) and the assignment of key managers. The CEO is the catalyst in strategic management; he is the most closely identified with and ultimately responsible and accountable for a strategy's success. The CEO represents an important source of clarification, guidance and adjustment during implementation. Key managers also have to be in the right positions for the new strategy to be successfully implemented. On their part, Thompson and Strickland (1996), assert that the strategy manager has many different leadership roles to play: chief entrepreneur and strategist, chief administrator and strategy implementer, crisis solver, task master, figure head, resource allocator, consensus builder, mentor, among others.

*Staff:* According to Thompson and Strickland (1996), assembling a capable management team is also part of the implementation task. It needs to be strengthened by promoting qualified people or bringing skilled managers from outside. Talent base, personal chemistry and mix of skills need to be appropriate for the chosen strategy.

Also a policy needs to be in place that allow for recruitment of new staff as per requirements of the new strategy. Pay and systems in place should enhance the organization's strategic effectiveness.

*Communication in strategy implementation:* Communication is the flow of information within the organization. It helps ensure that goals are understood, instructions are disseminated and feedback from various units and personnel received (Otieno, 2007).

Communication therefore is an important area of implementation for which various researches have been done. One such study was done by Ikavalko and Aaltonen (2002) on middle level manager's role in strategy implementation. They came up with the conclusion that one major reason for failure in strategy implementation is lack of communication from the top management. They advocated involvement of the strategic (implementing) managers in the planning process to ensure a greater degree of implementation of strategy successfully.

*Policies:* On a day-to-day basis, policies are needed to make a strategy work. A policy is a general guideline for decision making (Stoner et al, 2001). Policy refers to specific guidelines, methods, procedures, rules, forms, and administrative actions that can be taken to reward and sanction behavior; they clarify what can and cannot be done in pursuit of an organization's objectives. Most organizations have some form of policies, rules, and procedures that help in implementing strategy in cases where routine action is required (Stoner et al, 2001). Policies enable both managers and employees to know what is expected of them thereby increasing the likelihood that strategies will be implemented successfully. Whatever the scope and form of the policies, they serve as a mechanism for implementing strategies and realizing objectives. They provide the means of carrying out strategic decisions.

## **2.5 Empirical Evidence**

Most studies on strategic planning have concentrated in the developed country context. Little has been written on strategic management practices in less developed countries as a whole and more so on Africa (Glueck and Jauch, 1984).

Examples of studies on strategic management practices in Kenya include Aosa (1992), Mbagah (2001) and Busolo (2003) and commonly focus on strategy practices in the industrial and private sector firms. Studies done on public sector in Kenya include Kangoro (1998) and Otete (2003). Aosa (1992) studied an aspect of strategy formulation and implementation within large, private manufacturing companies in Kenya and found out that there were variations in the degree of strategic management practices by the companies with foreign companies being more involved in strategy development than the indigenous ones.

Companies which maintained links between strategies and budgets were significantly more successful in implementing strategy than those not maintaining such links (Aosa 1992). Mbagah (2001) studied on strategy practices within commercial internet service providers (ISPs) in Kenya and noted that ISPs practiced some form of strategic management in that they had a written mission statements, set organizational plans and objectives and were involved in some of competitor analysis, industry analysis and environmental scanning. Busolo (2003) studied on corporate strategic planning among motor vehicle franchise holders in Nairobi and found that they all engaged in corporate strategic planning and that top management had active interest in planning and overseeing implementation of planned activities.

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In his study of strategic planning in public sector in Kenya (Kangoro, 1998) concluded that there existed established missions, objectives and strategies in the public sector but there was lack of top management and employee commitment towards their implementation Otete (2003) found that formal strategic planning is practiced in public sector with top down communication channels being used while the government influences strategic planning processes.

## **2.6 Knowledge Gap**

No known study have focused on the use and effectiveness of strategy formulation and implementation of strategic plan in KPLC given its unique status of being a monopoly. It is this gap that is the motivation for undertaking this research work.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

This section gives the methodology used in this case study. It includes the research approach, population of study, and type of data collected, method of collection and data analysis techniques applied during the research.

### 3.2 Research design

The research was a case study. It was conducted in Kenya power and lighting company. A case study was chosen because it enables the researcher to have an in-depth understanding of the use and effectiveness of strategy formulation and implementation in the company. A case study involves a careful and complete observation of a social unit – a person, institution, family, cultural group, or an entire community – and emphasizes depth rather than the breadth of a study (Kothari, 1990). According to Bryman (1989), most qualitative research is in fact a form of case study and these studies have a strong emphasis on context.

### 3.3 Data collection

This study utilized both secondary and primary data. Primary data was collected by way of personal in depth interviews with members of staff at different levels of the organization. Nachmias and Nachmias (1996) have defined personal interview as a face to face, interpersonal role situation in which an interviewer asks respondents questions designed to elicit answers pertinent to the research hypotheses.



The interview guide consisted of open ended questions designed in line with the objectives of the study. Primary data was obtained through observation within the organization. The interviews took place within respondents' place of work. These were conducted during less busy times of the day especially after work or early in the morning. The same type of instrument was used in similar research done earlier by Kombo (1997), Mulema (2004) and Muriuki (2005) Secondary data was drawn from internal circulars, KPLC website, newsletters and articles written about KPLC.

Chief Managers and Functional heads heading various department such as communication, marketing, finance, customer service, design and construction, wayleaves, business development, survey, operations and maintenance, emergency and human resources department were selected for purpose of the study. The chief manager's totals to 10 and the functional heads are 20. The employees interviewed were 30 in number.

### **3.4 Data analysis**

Content analysis was used in the analysis of this data. This approach helped elucidate on the feelings of the interviewees on how KPLC carries out its strategy formulation and implementation process. The researcher recorded and later analyzed the presence, meanings and relationships of such words and concepts, then made inferences from them. It also takes cognisance of the secondary data. The method was appropriate because most of the information collected was qualitative which means it requires analytical understanding of the data.

The data analysis sought to establish how strategies are formulated and implemented in KPLC, the challenges the organization faces in the process and how it has responded to those challenges.

Similar approach was used by (Ateng, 2007) when carrying out research on challenges to strategy implementation at the ministry of finance in Kenya. The content of the data collected was examined critically to help in drawing conclusions. These conclusions were generalization on the subject of study and drew heavily from information on the use and effectiveness of strategic formulation and implementation in KPLC.

## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS**

### **4.1 Introduction**

This chapter documents the findings of the study. Data was collected through personal interview guide was used with management team and members of staff from communication, marketing, finance, customer service, design and construction, wayleaves, business development, survey, operations and maintenance, emergency and human resources department. A total of 60 staff were interviewed which comprised of 10 Chief Managers, 20 functional heads and 30 employees from various departments.

The study had two main objectives; firstly, to establish the effectiveness of strategy formulation and implementation at KPLC and to determine the challenges faced by KPLC in their strategy formulation and implementation, finally to establish how KPLC deals with the challenges faced in the implementation of the formulated strategy.

The presentation of the data starts with the KPLC profile, the strategic process, its objectives and then an analysis of the challenges faced in implementation factors of culture, communication and resources allocation. The strategy adopted by KPLC to deal with the challenges identified and it concludes by presenting discussion on findings.

## **4.2 Organization structure**

Strategy formulation and implementation by business may dictate the need to align organisation structure to the new strategy. This means there is need to align strategy to organisation culture, organization structure, reporting systems, responsibility centers for a successful strategy formulation and implementation.

KPLC combines both strategy business units (SBU's) and functional based organization structure. This means that, they have departments along marketing, accounting, production, human personnel etc. This function based organization structure is the traditional structure, but may be ineffective for strategy formulation and implementation. To counter this KPLC has adopted SBU's which means that the organization is structured along Strategic Business Units which are also the responsibility centers and performance measurement units.

## **4.3 Who participates in strategy formulation?**

Participation in strategy formulation may affect the level of ownership of the implementation process among the employees. A top-down approach which involves, only top managers formulating new strategies and then passing them to employee for implementation is likely to face resistance during implementation (Njiru, 2007). A bottom up approach easily enhances acceptance among employees. KPLC uses a combination of functional managers CEO and chairman and divisional heads in formulation of strategies.

#### 4.4 Strategy planning process at KPLC

KPLC strategy formulation has been developed in a participatory manner. The process started by charging the top management team, comprising of the CEO, chief managers, and functional heads with responsibilities of articulating the main strategic direction of the company. Establishing the necessary structures within the company to undertake the development of the strategic plan followed. The draft plan document was subsequently shared with key shareholders including the ministry of energy, electricity regulating commission and independent power products (IPPs) and input and recommendation were incorporated into the various drafts. The resultant versions of the plan were discussed within the KPLC secretariat.

The senior managers of KPLC were involved in the development of the strategic plan. These managers were part of a task force mandated to mobilize all the officers required to participate in the development of the strategic plan. The strategic plan covered a five year period. Timetables were developed by department heads for implementation.

The data that was used to develop the strategic plan was developed through the KPLCs elaborate EMIS information system. This data was collected from all the service areas, both core, and non core areas. KPLC first strategic plan was operationalized in the year 1997 for a five year period. The process of developing this plan started in the year 1992, when KPLC developed its vision and mission statement in the year 1997.

The process of developing the current strategic plan stated in the year 2007 when the company engaged a consultant to guide and facilitate the process. Chief Managers who head the nine main administrative departments for example Human resource, internal audit, finance research and development, design and construction, wayleaves, operation and maintenance, were trained on the concept and principles of strategic planning. These heads of departments, divisions and sections carried out SWOT analysis in their service areas and developed the necessary strategies. The team went on several retreats and workshops where the consultant guided and facilitated brainstorming sessions on all service areas at the KPLC. The writing of feedback from the sessions formed the basis of the zero draft of the strategic plan which was later shared in a stakeholders forum and their input incorporated into the plan. The whole process of developing the plan took three years.

**Table 1: Key Steps In Strategic Planning Process**

i.	Development of corporate identity (logo)
ii.	Development of corporate colors
iii.	Setting the vision and mission statements
iv.	Development of KPLC objectives
v.	Training of participants on principle of strategic formulation and implementation
vi.	Conducting SWOT analysis
vii.	Brainstorming sessions and report writing
viii.	Stakeholders forum
ix.	Budgeting and approval by CEO
x.	Implementation
xi.	Evaluation, monitoring and control

Source: Research Data (2010)

KPLC has established a formal procedure for strategic planning when the department of research is responsible for coordinating the planning, implementation and evaluation process. The strategic planning cycle of KPLC takes a five year period with the introduction of performance targets are extracted from the plan for each employees which forms the basis for the annual performance appraisal exercise.

#### **4.5 Indicators of effective strategy formulation and implementation**

Different models of strategy call for different forms of measuring strategic success. Those firms using the BSC model for strategy implementation consider the following measures as important (Mean=2 & above) for assessing the success of a strategy. These measures include; increase in profits, increased number of customers, increase in sales volume, efficiency in the services delivery, minimal or zero defects, good corporate image, increase in market share, increased customer satisfaction index, customer retention increase, improved customer response rate and finally the corporate social responsibility.

#### **4.6 Roles in strategic planning**

The policy planning and research division of the company spearheaded the planning process and the development of the strategic plan. The divisions role was further identified as involving interpretation of the company's objectives and targets, coordination of programmes and incorporating relevant issues in the division plans and annual performance contracts. The department also provided useful technical support to the development of the strategic plan.

Each department head developed their respective departmental plans and strategies that constituted the build up to the overall strategic plan of the company. All the employees of the company were involved in the development of the strategic plan through their direct input in terms of opinions during consultations within services areas and cascading of individual work plans. The employees were also useful during the review stage of the development process of the strategic plan. Stakeholders who had vested interests in the company were also allowed to give their opinions and also criticize the strategic plan through open forums organized by the company. Some shareholders especially the government was useful in resource mobilization that was fundamental in the development of the strategic plan. Stakeholders involved in the process included the ministry of energy, electrical regulating commission (ERC) and independent power producers (IPP's).

The CEO of the company gave general direction and overall leadership in the process of developing the strategic plan. He not only authorized the funds for the exercise but also was personally involved through reading the zero draft and giving his input and holding several meetings with the task force. He has also taken overall responsibility in the implementation, monitoring and evaluation of the strategic plan.

#### **4.7 Strategic formulation and implementation KPLC**

The objective of the study was to establish the effectiveness of strategy formulation and implementation at KPLC and determine the personnel responsible for strategic planning. Various questions were posed to the respondents in order to achieve this objective of the study.



#### **4.7.1 Developed vision and mission statement**

Firstly the researcher sought responses on whether KPLC had developed a vision statement. Vision gives direction to the firm and without it, very little would be achieved in terms of strategic planning. The responses indicate that KPLC had a well document vision statement. The respondents were asked to indicate whether they had developed mission statement. The respondents indicated that KPLC had developed a mission statement and appeared in all their official stationery. The same were conspicuously displayed by the organization in strategic positions within their premises countrywide.

#### **4.7.2 Organizational objectives**

The respondents were asked to indicate whether KPLC had set objectives. All the respondents indicated that they had set objectives, which were well documented in their respective profiles. The findings indicate that KPLC current key objective was profitability; others included sustained growth, client/customer satisfaction, and stakeholder value.

#### **4.7.3 Acceptability of planning as a philosophy**

The respondents were asked to indicate whether planning was accepted as a philosophy in KPLC. All the respondents indicated that indeed KPLC embraced planning as a philosophy.

#### **4.7.4 The review and update of organizational plans**

The respondents were further asked to indicate whether KPLC organizational plans were reviewed and updated periodically.

The researcher sought to determine whether the respondents monitors the changes in the environment in which KPLC operates, which tended to dictate reviews to short and long term plans in response to the changes. The findings indicated though KPLC reviewed and updated their plans periodically, the review periods varied.

#### **4.7.5 Communication of plans to staff**

The respondents were asked to indicate the mode of communication adopted by KPLC when sharing the plans with all staff. Plans must be understood and supported by all staff in the organization if positive results are to be realized from their implementation (Rugami, 2007). This calls for effective methods of communication of the plans to the staff. Findings of the study indicate that communication of plans to all staff was done through the intra-net, team talks and seminars.

#### **4.7.6 Formality of strategy formulation and implementation**

Findings of the study indicate that formal planning meeting were the most influential in characterizing the strategic planning processes in KPLC. Indeed formal planning meetings tend to bring together divergent views from the various participating stakeholders and hence the developed plans win the support of majority (Rugami 2007). Having a planning department with assigned responsibilities for planning also tends to influence success of the planning process since the responsible department or personnel put together inputs from the various departments then concentrate on the finer details as the rest of staff is left to carry out their respective duties.

#### **4.8. Stakeholders influence on strategy formulation and implementation**

The researcher sought to determine the influence of the various key stakeholders on the various aspects of the strategy formulation and implementation process in KPLC. The findings indicated that the ministry of energy, electricity regulatory commission(ERC) and independent power producers (IPP's) had a considerable influence on the process and more so was the ERC which gave a nod to most of the strategies adopted by KPLC.

#### **4.9 Influence of strategy formulation and implementation on organizational performance**

The researcher sought to determine the impact of strategic planning on the performance of the organization. Owing to the fact that failing to plan leads to planning to fail, the more effective, the plans, the better the firms are expected to perform in as far as meeting their objectives is concerned. The responses indicates that all respondents asserted that indeed strategy formulation and implementation impacted positively on performance of KPLC.

#### **4.10 Strategic responses to changes in the business environment**

Pearce and Robinson (1999) argue that strategic responses are a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objective. Findings of the study indicate that KPLC had embraced various strategic planning practices to respond, to changes in the business environment. The organization has invested in new products/services development and seeks to expand the market outreach through various marketing strategies.

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

### **5.1 Introduction**

This chapter presents a summary and conclusions from the research findings. It also includes suggestions for further research. The findings of the study are presented in order of the key aspects of the objectives of the study: To establish the effectiveness of strategy formulation and implementation at KPLC.

### **5.2 Summary and Conclusion**

Strategic formulation is more formalized and is a onetime under-taking within the planning cycle with annual evaluation and control mechanism put in place to monitor its implementation. The planning system does not have any planning timetables after the formulation of the first strategic plan hence the heads of departments, divisions and sections are left to supervise the implementation in their functional areas with no time dedicated to review and environmental scanning.

The CEO's role in strategy formulation process is to provide general direction and leadership, authorize funds to be allocated and monitor the implementation process, he therefore plays a dominant role in guiding the process and giving long term direction to the organization. His leadership approach is participatory and functional areas are given powers to formulate strategies that form the basis of the strategic plan.

The planning approach is top-down with limited input from low level personnel. SWOT analysis is used in assessing KPLC strengths, weaknesses, opportunities and threats in consultation with stakeholders. KPLC has put in place an on-going evaluation and control process that review the implementation process. Since KPLC is the sole provider of power, the tendency to become complacent is a major threat due to lack of benchmarking opportunities in the industry.

### **5.2.1 Discussion of Results**

Findings of the study indicate that formal planning meetings were the most influential in characterizing the strategic planning processes in KPLC. Indeed formal planning meetings tend to bring together divergent views from the various participating stakeholders and hence the developed plans win the support of majority (Rugami 2007). The planning system does not have any planning timetables after the formulation of the first strategic plan hence the heads of departments, divisions and sections are left to supervise the implementation in their functional areas with no time dedicated to review and environmental scanning. The findings indicated though KPLC reviewed and updated their plans periodically, the review periods varied. The findings indicated that Stakeholders influence on strategy formulation and implementation such as the ministry of energy, electricity regulatory commission(ERC) and independent power producers (IPP's) had a considerable influence on the process and more so was the ERC which gave a nod to most of the strategies adopted by KPLC. Findings of the study indicate that communication of plans to all staff was done through the intra-net, team talks and seminars. Findings of the study indicate that KPLC had embraced various strategic planning practices to respond, to changes in the business environment. The

organization has invested in new products/services development and seeks to expand the market outreach through various marketing strategies. The responses indicates that all respondents asserted that indeed strategy formulation and implementation impacted positively on performance of KPLC.

### **5.2.2 Strategic formulation and implementation**

KPLC has developed a vision statement which is documented and well communicated to all staff. Respondents indicated that KPLC has a mission statement which appeared in all their official stationery. The company vision and mission statements are conspicuously displayed in strategic positions within KPLC premises countrywide. The company had set objectives which were well documented in their respective profiles. The entire respondent indicated that KPLC embraces planning as a philosophy. In addition, KPLC to enhance successful implementation of its plan had budgetary allocation for a considerable number of its activities. There was consensus that indeed strategy formulation and implementation impacts positively on performance at KPLC.

### **5.2.3 Challenges encountered in the strategy formulation and implementation process.**

The respondents did acknowledge the fact that KPLC faced challenges in strategy formulation and implementation process. Strategic planning and implementation is prone to various constraints, which ought to be understood by all the stakeholders if targeted results have to be realized.

The constraints that affect strategy formulations and implementation process included the following: inadequate resources, inadequate training and shortage of qualified personnel, organization culture, coupling strategy development and implementation,

linking performance, rewards and pay to strategies, communication and organizational policies.

### **5.3 Limitation of the study**

This study was carried out within a limited timeframe and resources which constrained the scope and depth of the research. This necessitated the adoption of a case study design hence the findings cannot be used to make generalizations regarding strategy formulation and implementation process in other public organizations in Kenya.

### **5.4 Suggestions for further research**

Further research on effective strategy formulation and implementation can be carried out on other public institutions in Kenya and a cross-sectional survey design used to compare and make generalizations. It will also be interesting to carry out a replicative research at KPLC in the year 2013 to find out how the second strategic plan was operationalized.

### **5.5 Recommendations**

This study found out that the KPLC faced several challenges during the planning process which included lack of enough funds, lack of technical capacity in the organization, weak monitoring and evaluation mechanisms, external influences that delayed the process and linking of activities of the company to the budget.

To address these challenges, KPLC should adopt information communication technology (ICT) in processing and storing of data and use computer based planning techniques. It

should also adopt scenario planning to be able to forecast future trends. The company procurement procedures should also be streamlined.

Finally, it is recommended that qualified and well trained personnel in strategic management should be deployed to policy planning and research division to ensure effective strategic planning, implementation and evaluation.

### **5.6 Implication on policy and practice**

According to the respondents, KPLC has responded to the challenges in the whole of strategic management process in the organization. One example is the decentralization of the company services by creating Strategic Business Units all over the countries which are responsible and accountable of their activities in this respective areas. In response to the challenge of service delivery efficiency the company has developed service delivery standards (see appendix ix) which has been communicated to the public through the press (Radio, Newspapers and all radio stations) and provided additional resources to facilitate expansion into new markets.

To enhance the achievement of its goals the company has developed new vision, mission and core values (see appendix vi). Just like any other organization undergoing change KPLC has encountered resistance to change from some members of staff. But however through increased communication, training and recruitment of new staff, the resistance has been contained. This has led to improvement in service delivery.



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# APPENDICES

## APPENDIX I: INTRODUCTION LETTER



### UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS MBA PROGRAM - LOWER KABETE CAMPUS

Telephone 020-2059162  
Telegrams "Varsity" Nairobi  
Telex 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE: 12/08/2010

#### TO WHOM IT MAY CONCERN

The bearer of this letter STEPHEN K. MUGO

Registration No: 061/71448/2008

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.

**DR. W.N. IRAKI**

**CO-ORDINATOR, MBA PROGRAM**

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

## APPENDIX II: INTERVIEW GUIDE

### AN INVESTIGATION ON THE EFFECTIVENESS OF STRATEGY FORMULATION AND IMPLEMENTATION AT KENYA POWER AND LIGHTING COMPANY LIMITED

The objective of the study is to establish the effectiveness of strategy formulation and implementation at KPLC. The information in this interview guide will be treated confidentially and will not be used for any purpose other than academic.

#### PART A

##### Respondent Profile

1. Please indicate how long you have been working for KPLC.
2. What is your position in the organization?
3. In what department do you work in?
4. Please indicate your gender

Male [ ]

Female [ ]

5. Please indicate your terms of employment

Permanent [ ]

Contract [ ]

## **PART B**

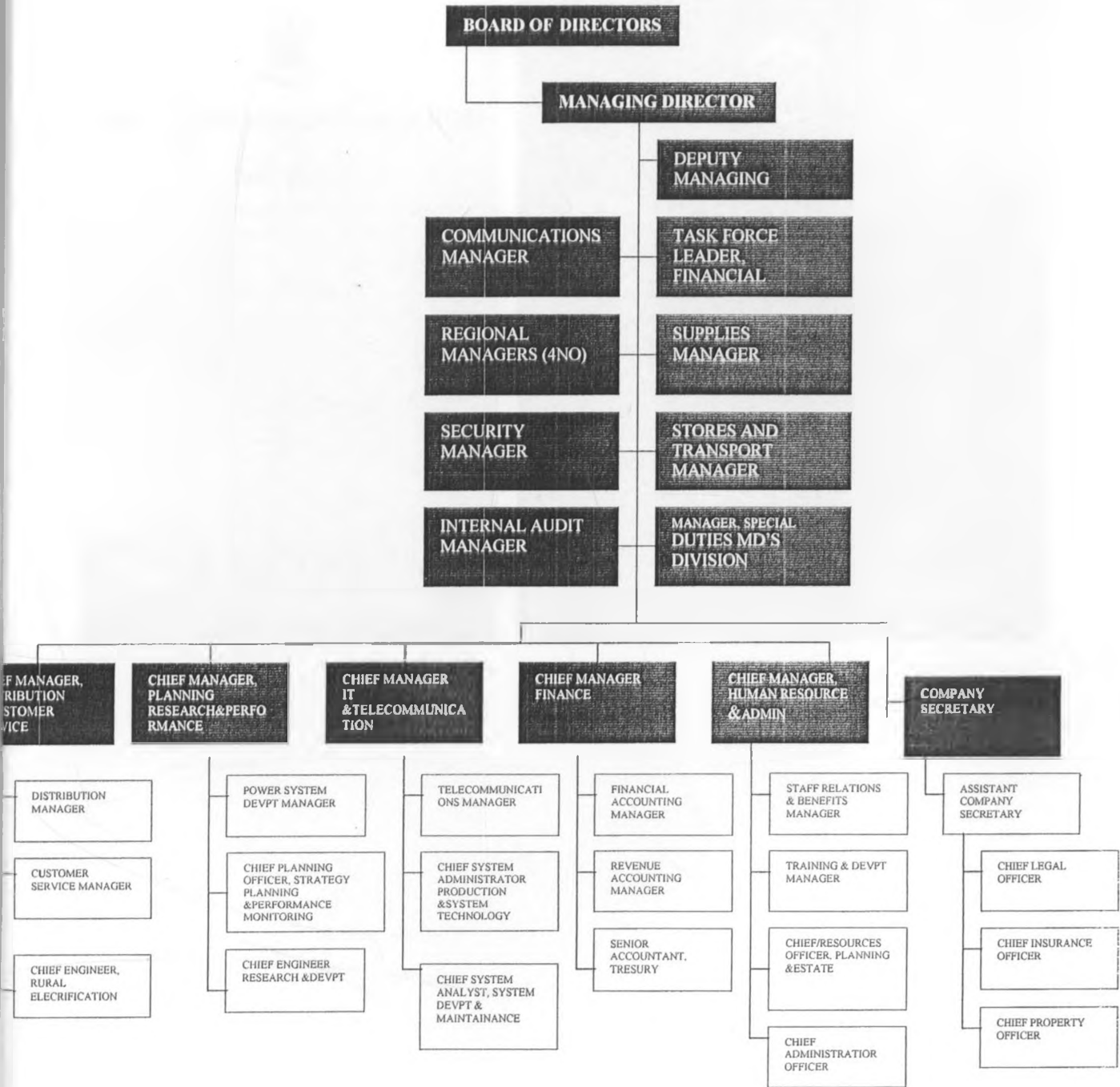
### **STRATEGY ASPECT**

6. Are you aware of the overall KPLC Business Strategy?
7. What do the KPLC objectives address?
8. In an effort to implement these objectives, what action plans has the organization put in place?
9. How is the strategic business objectives communicated to you within your respective business area/function?
10. What mechanisms have you put in place to ensure smooth flow of communication during implementation? Was it necessary to revise communication policy or acquire new equipments?
11. How were you involved in the strategy formulation process?
12. In your opinion are the resources given commensurate the needs on the ground?
13. How do you ensure that the overall business strategy is implemented within your respective business area?
14. . Do you have planning timetables and who is involved in setting them?
15. . How is the data for the strategic plan collected?
16. Kindly state the role(s)stakeholders play in strategic planning process
17. What role does the CEO play in strategic planning process?
18. How is strategic planning linked to performance of your organization
19. To what extent do Informal interactions characterize your planning process?
20. To what extent do formal planning meetings characterize your planning process?

21. Have you undertaken any review of the strategic plan? If so what were the key findings?
22. Briefly explain the process you followed in developing your current strategic plan.
23. Does the organization have a documented framework of monitoring implementation of strategies in the current strategic plan?(Please Share)
24. 11(b). Please enumerate some of the key performance indicators used in KPLC.
25. What operational strategy imperatives have contributed to the results achieved by KPLC?
26. What are the main obstacles you experience in the strategy formulation and implementation process?




APPENDIX III: ORGANIZATIONAL STRUCTURE OF KPLC



Source: KPLC Financial statement (2009/2010)


## APPENDIX IV: KPLC NEW VISION & MISSION





### KPLC NEW VISION & MISSION

**Our Vision**  
To provide world class power that delights our customers

**Our Mission**  
Powering people for better lives



E.C. Joseph K. Njoroge, MBE  
Managing Director & Chief Executive Officer



### KPLC NEW VALUES

Customer First  
One Team  
Passion  
Integrity  
Excellence



# The Kenya Power & Lighting Co. Ltd.

## *LIVING THE KPLC VALUES*

---

### *Introduction*

Our Vision is to Provide World Class Power that Delights Our Customers. Delighting our customers means exceeding their expectations.

Our Mission or Purpose is Powering People for Better Lives. This means ensuring people get and stay connected in order to continuously improve their lives.

### **Living the Core Values:**

In order to achieve this Vision and Mission, we live by the following 5 core values:

#### 1. *Customer First:*

- I am always dependable
- I enrich customers' lives by serving them.
- I have high quality service... every time
- I ensure that customers are delighted, not just satisfied- I exceed their expectations.
- I treat all customers (internal and external) the same way I would treat my best friend.

#### 2. *One Team:*

- We focus on achieving the team goal
- We are accountable
- We positively challenge each other
- We support and encourage
- one another
- We listen and communicate,
- and speak clearly to one another
- We maintain mutual trust and mutual respect for each other.

### 3. *Passion:*

- I have infectious, contagious enthusiasm for my work.
- I have a sense of urgency to achieve my goals.
- I am wholly engaged in what I do.
- I am committed to my work.
- I have a sense of ownership of everything that I do.
- commitment to deliver world class performance through application of exceptionally high standards.

### 4. *Integrity:*

- I have strong moral principles
- I not only achieve results but I do so ethically.
- I keep my promises to all stakeholders i.e. employees, customers, suppliers and shareholders.
- I am loyal to our customers and to our business, on which I depend for my livelihood.
- I am honest and trustworthy.
- I am a safe custodian and guardian of our business.
- I am always fair.
- I am socially responsible.

### 5. *Excellence:*

- I benchmark with the best to attain world class standards.
- I am innovative and creative in our business.
- I am self-driven to always be at the top.
- I am always professional.
- I always deliver our service on time in order to delight our customers.

3. *Passion:*

- I have infectious, contagious enthusiasm for my work.
- I have a sense of urgency to achieve my goals.
- I am wholly engaged in what I do.
- I am committed to my work.
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5. *Excellence:*

- I benchmark with the best to attain world class standards.
- I am innovative and creative in our business.
- I am self-driven to always be at the top.
- I am always professional.
- I always deliver our service on time in order to delight our customers.



# STMAFLOW

## SERVICE DELIVERY STANDARDS

Dear customer,

In order to serve you better, we have developed service standards with clear timelines on how long it takes to deliver various services

### A. QUOTATION AFTER APPLICATION OF SUPPLY

Type of Connection	Time frame
1. Requiring a meter only	7 days
2. Requiring low voltage extension - Metered at 230V	14 days
3. Requiring medium voltage extension and/or transformer - Metered at 400V	28 days
4. Requiring connection at high voltage - Metered at 11KV, 33kV or 66kV	45 days

### B. CONSTRUCTION PERIOD AFTER PAYMENT

Type of Connection	Time frame
1. Requiring a meter only	3 days
2. Requiring low voltage extension - Metered at 230V	14 Days
3. Requiring medium voltage ext. and/or transformer - Metered at 400V	45 days
4. Requiring connection at high voltage - Metered at 11KV, 33kV or 66kV	To be agreed on with the customer

### C. RECONNECTION AFTER DISCONNECTION

Disconnection	Reconnection time after payment
1. Disconnection for non payment	Within 24 hours

### D. ACCOUNT CLOSURE AND DEPOSIT REFUND

Service	Time frame
1. Disconnection on request for account closure	Within 24 hours
2. Deposit Refund upon closure of account	Within 14 days

### E. UNPLANNED SUPPLY INTERRUPTION

Cause of Interruption	Time frame- urban	Time frame- rural
1. System/Transformer malfunction	Upto 5 hours	Upto 8 hours
2. Trees falling on lines	Upto 5 hours	Upto 8 hours
3. Fallen pole	Upto 8 hours	Upto 10 hours

\* Unplanned supply interruption - Vandalism; To be discussed with the affected community

### F. CUSTOMER QUERIES

Type of query or complaint	Resolution/Response time
1. Query /complaint in writing	Within 7 days
2. Other queries and complaints- walk-ins, emails, phone	Within 7 days

### G. APPROXIMATE CONNECTION COST FOR LOW VOLTAGE REQUIREMENTS

Type of Connection	Approximate Cost
1. Low voltage connection for customers within 600 meters from transformer – Single phase	Shs. 35,000*
2. Low voltage connection for customers within 600 meters from transformer – Three phase	Shs. 45,000*

Customers beyond 600 meters from transformer will be served through Umeme Pamoja group schemes and should contact the respective Marketing Officer / Branch Business Heads.

\* This is applicable for a load demand of up to 8KVA and is subject to a charge of Shs. 1000 per KVA.

\* Connection for load demand of more than 8 KVA will be charged at the full cost of quotation.



**The Kenya Power & Lighting  
Co. Ltd.**

*Electricity House, New Station Road  
P.O. Box 151- 40100, Kisumu, Kenya  
Phone: 254 057- 2020536/7/8/9*

*Fax: 254 - 057 2020706; Telegrams;ELECTRIC'*

Our Ref

**KPLC5C/5D/QMS/OP/03/DKR/rmm**

Your Ref.

21<sup>st</sup> September, 2010

University of Nairobi  
P. O. Box 30197 - 00100  
Nairobi

Dear Sir/Madam,

**RE: STEPHEN K. MUGO - D61/71448/2008**

This is to confirm that the above named is an employee of Kenya Power & Lighting Company.

He has conducted a research on efficiency in strategy formulation and implementation.

Any assistance accorded to him will be highly appreciated.

Yours faithfully,  
For: **THE KENYA POWER & LIGHTING CO. LTD**

  
**DANIEL K. ROTICH**  
**SENIOR HUMAN RESOURCES & ADMIN. OFFICER, WEST KENYA**