

**STRATEGY IMPLEMENTATION CHALLENGES FACED BY  
NEW KENYA CO-OPERATIVE CREMERIES (NKCC)**

**BY**

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## DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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

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## **DEDICATION**

To my family for support and understanding especially to my wife Purity, my son Adam and my daughter Risper Maria who stood by me and supported me both morally and emotionally during my working on this proposal

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## **ABSTRACT**

Strategy formulation and development is the development of long term plans for the effective management of opportunities and threats in light of the organization's strengths and weaknesses. Strategy formulation is a social and political process in which interest groups with conflicting interest and bargaining powers interact. The general objective of this study was to investigate the strategy implementation challenges at New KCC. An interview guide was used to guide the researcher in collecting data. Content analysis was used to analyze the qualitative primary data which had been collected by conducting interviews and secondary information from the organization.

The study found out that the main challenges experienced in the implementation of the strategy were the pace of implementing strategic change in the commission was slow thus influencing the expected results, poor team work/coordination, unchanging organizational culture, poor organizational structure, lack of clear direction from the management, low motivation among implementing team, unsatisfactory monitoring of the process, non participative and autocratic leadership among some managers, limited resources (financial, human resource and technology), Unrealistic targets – SMART targets, poor staff remuneration hence high turnover, lack of ownership of strategic plan through staff participation and communication, capacity limitations in terms of equipments, resistance to change and lack of confirmed leadership for a long time.

Management reaction to the challenges encountered included, sensitization of staff and other stakeholders to ensure that the change spirit is sustained, training of culture change to all the staff members of staff, investing in new machineries, technology change-implementation of SAP software to acquire online transactions, and competent staff with the relevant skills are recruited and development and review of the human resource manual to address staff matters

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background

Companies have been forced by dynamic and intense competitive pressures to re-evaluate almost every aspect of their approach to conducting business (Stanley et al., 1996). These re-evaluations have in turn led to the implementation of dramatic strategic initiatives that range from benchmarking to just-in-time to re-engineering to total quality management. The number of new initiatives implemented in the quest for competitive advantage during the past decade is quite extensive; however, the reality is that while often beneficial, these diverse endeavours frequently fail to yield the requisite improvements in firm performance. According to Kotler (2003), change is inevitable and yesterday's determinants of success can be today's and tomorrow's determinants of failure. Therefore, organizations must respond appropriately to the changes in their environment in order to survive and to achieve their strategic objectives, (Arnold 1996).

In recent years, increasing attention has been given to how companies should respond to the new competitive landscape. A variety of firm postures and orientations have been suggested. These include behavioural orientations as well as corporate stances more typical of a strategic management perspective (Ireland *et al.* 2003). Strategic management has emphasized the need for strategy in positioning an organization in a competitive environment to attain sustainable competitive edge and anticipate change. Organizations are dynamic, complex and are gradually changing hence need for competitive strategies. However excellent the strategies developed by organizations to counter the challenges it faces, the major hurdle for success in the strategy is the effective implementation, (Morgan and Strong, 2003).

However, the success of these competitive strategies is not only a function of how well they are formulated; it also depends on how well implementation is done. In fact, the most elegantly conceived, precisely articulated strategy is virtually worthless unless it is implemented successfully, (Sabatier and Weible 2007).

### **1.1.1 The Concept of Strategy**

Thomson and Strickerland (2003) observe that strategies are at ends and these ends concern the purpose and objectives of the organization. They are the things that organizations do, the paths they follow and the decisions they take in order to reach certain points or level of success. Mintzberg and Quinn (1998) identify four interrelated definitions of strategy as a plan, perspective, pattern and position. As a plan, it is some sort of consciously intended course of action, a guideline to deal with a situation. As a pattern it integrates an organization's major goals, policies and actions sequences into a cohesive whole. Strategy as a position becomes a mediating force or match between the organizations and its external and internal environments. Strategy as a position looks outside the organization seeking to locate the organization in the external environment and it in a cohesive position. Strategy as a perspective looks at the organization. In this respect it is a concept and a perspective shared by the members through their intentions and actions.

Quinn (1980) defines strategy as a pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. Webster (1994) calls this the building block of strategic management and notes that a secure foundation (strategy) is

needed if the process (strategic management) is to function properly. In this sense strategy provides the link between where the organization is at present and where it would like to be in the future. Mintzberg (1994) portrays strategy as a plan, a direction, a guide or course of action into the future and as a pattern, that is, consistent in behaviour over time. According to Johnson and Scholes (2002) strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and fulfils stakeholders` expectations. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization.

### **1.1.2 Strategy Implementation**

Strategy implementation is defined as ``the process used to implement specific firm policies, programs, and action plans across the organization`` (Harrington, 2004, p.321). A prudent organization needs to formulate a strategy that is ``appropriate for the organization, appropriate for the industry, and appropriate for the situation`` (Alexander, 1991). Effective strategy implementation and execution relies on maintaining a balance between preventing failures and promoting success simultaneously. When there is a proper alignment between strategy, administrative mechanisms and organizational capabilities, it will be easier to implement and execute the strategy and to achieve the desired objectives (Okumus, 2003).

Strategic management is gradually shifting from paying 90 per cent attention to strategy formulation and 10 per cent to strategy implementation, to paying equal attention to both (Grundy, 1998). Traditionally, it is believed that strategy implantation and execution is less glamorous than strategy formulation, and that anyone can implement and execute a well-formulated strategy. Therefore, implementation and execution has attracted much less attention than strategy formulation or strategic planning (Alexander, 1991; Bigler, 2001). While strategy formation and implementation are tightly integrated functions, strategy implementation is the most complicated and time-consuming part of strategic management. It cuts across virtually all facets of managing and needs to be initiated from many points inside the organization. The implementation task involves coordination of a broad range of efforts aimed at transforming strategic intentions into actions.

Organizations face difficulties while implementing and executing their strategies for different reasons. There is uncertainty about what these processes include and where they begin and end. Such uncertainty includes weak management roles in implementation, a lack of knowledge and communication to guide their actions, unawareness or misunderstanding of the strategy, poor coordination, inadequate capabilities, competing activities within the working team, unfortunate marketing timing, uncontrollable environmental factors, misaligned operation and insufficient monitoring and evaluation of the process (Okumus, 2003).

### **1.1.3 Strategy Implementation Challenges**

Organizing implementation processes presents some imposing challenges. Managers are often assigned to implementation teams with little expected reward, no relief from normal

responsibilities, and a poor understanding of the broader scope and goals of the strategy being implemented. Further, managers with diverse backgrounds and mixed experiences are expected to mesh quickly into a cohesive and efficient unit. In addition, personality differences, politics, communication problems and struggles for power and leadership are other obstacles that may undermine an implementation effort. Beer and Eisenstat(2000) attempt to capture much of this in their description of the six silent killers of strategy implantation namely: Top-down or laissez-fair senior management style, unclear strategy and conflicting priorities, an ineffective senior management team, poor vertical communication, poor coordination across functions, businesses, or borders, and, inadequate down-the-line leadership skills and development. Sterling (2003) identifies challenges to strategy implementation as: unanticipated market changes, effective competitor response to strategy, insufficient resources, failures of buy-in, understanding and communication by those who are supposed to implement , strategy not being timely and unique, lack of strategic focus and poorly conceived strategies.

Strategy implementation is inextricably connected with organizational change. All organizations resist change and try to maintain the status quo, sometimes even if it yields unsatisfactory results. To translate planned intervention activities into actions that bring desired organizational outcomes requires incorporating numerous variables: individual behaviour, social factors, organizational arrangements, physical settings, and technology. Changing one organizational element has a ripple effect that impacts other parts of organization, which in turn have their own ripple effects, and so on. Changing only one or two things seldom brings any significant overall organizational change. There are no

"magic bullets" that would change the entire organization. To redirect your organization, you must address many overlapping and related issues, and the resulting impression of needing to change "everything at once" can be overwhelming, (Marginson 2002).

#### **1.1.4 Dairy Sub-Sector in Kenya**

With the coming of a new government in early 2003, there were high expectations among Kenyans including the dairy sector in the country. The new government campaigned on a reform platform centred around economic revival, arresting the spread of corruption and preventing further plunder of public resources. The Kenyan dairy industry had suffered from years of neglect and political interference in its operations and with the coming of new regime, a new hope of reforms dawned on the farmers. The dairy sector also thus offered an attractive opportunity for the government to intervene, because of its character as a smallholder-based, commercially oriented sector that was attractive to private investment and offered wide pro-poor benefits through its multiplier effect on the local economy. Intervention in the dairy sector also offered the government an opportunity to address key social, political and economic needs.

The revival of dairy cooperatives has stimulated the development of new businesses such as feeds suppliers and providers of artificial insemination, veterinary, breeding and financial results. The reforms commanded broad political support both within parliament and outside, services. Small-scale market traders have been allowed to operate licensed milk bars and transport operations, which were previously considered illegal, and received support from a project to improve hygiene standards.

The sector generally is faced with a number of challenges which include the need to cope with the seasonality of dairy production and fluctuations between periods of production surpluses and deficits. Kenya has limited capacity to store excess milk. Powdered milk can be stored easily, but New KCC is currently the only company capable of converting milk into powder and it lacks the capacity to process all the milk delivered to it. In peak seasons, neither New KCC nor the other major processors can absorb all the milk produced in Kenya. Promoting dairy exports to regional markets is a challenge, due to Kenya's high production costs. Accessing regional markets is also restricted by sanitary and phytosanitary standards. In addition, basic infrastructure needs to be improved, notably access roads and cold chain facilities. It is a paradox that poor feeder roads reduce the farm-gate price of milk, and yet the milk cess is not used to fund improvements to the road network.

#### **1.1.5 New Kenya Co-operative Creameries**

The New Kenya co-operative creameries Ltd (NKCC) was incorporated as a limited liability company in 1925. The principal business of NKCC Ltd was buying, processing and selling dairy products both in the domestic and export market. The company started with only one factory in Naivasha but today has eleven (11) dairy processing factories and eleven (11) cooling plants.

The government lifted price controls after the liberalization of the dairy industry and the exclusive marketing by the Kenya cooperative creameries limited. These introduced developments that provided additional challenges to the New Kenya cooperative

creameries. By August 1999, it was placed under receivership. However, on 25<sup>th</sup> June 2003, the New Kenya co-operative creameries were registered as a limited liability cooperative as a result of a government initiative. In order to re-capture its market and beat the competition, the New Kenya co-operative creameries adopted a number of competitive strategies. As was observed by Khandwalla (1977), with the changes in the business environment various challenges, constraints, contingencies and opportunities will affect firms in such set-up experiencing the changes. One of the most prominent effects that have come with liberalization of the economies is the intense level of competition that firms experience.

By 1992, the dairy industry was liberalised and other private processors came in. NKCC was unable to reengineer its operations or reduce high operating costs. There were serious financial irregularities and procurement abuses due to lax management. There were serious delays in payments to farmers and suppliers. NKCC was faced with very serious working capital constraints. In August 1999, NKCC was placed under receivership. However, as a result of a government initiative, the New Co-operative creameries was registered on 25<sup>th</sup> June 2003. The Government tasked the New co-operative creameries to re-engineer its processes and adopt competitive strategies.

The business process of New Kenya Co-operative Creameries Ltd encompasses receiving of raw milk from farmers, processing it into various milk products and marketing and selling the products for the benefit of the company shareholders. The company products range encompasses a wide range of premium products such as fresh milk, cheese, long



life milk both flavoured and unflavoured, fermented milk both flavoured and unflavoured, yoghurt, ghee and powdered milk both whole and skimmed variants. Further, there are other products under development in line with the marketing strategies.

## **1.2 Statement of the Research Problem**

An organization's strategy must be appropriate for its resources, environment circumstances, and core objectives. The process involves matching the company's strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently, Gold (1991). A good corporate strategy should integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole, and must be based on business realities. Strategy must connect with vision, purpose and likely future trends. Implementing strategy is challenging and more time consuming than crafting strategy. Many organizations have formulated excellent strategies but have not achieved excellent results due to poor strategy implementation. The failure of these strategies can be attributed to due to managerial activities that are undertaken to implement strategy, lack of resources, un-anticipated market change, effective competitor response to the strategy, timeliness and effectiveness and also lack of continuous attention of senior management. Managing resistance to change associated with strategy implementation also proves difficult for most organizations.

Several studies on strategy implementation have been done on strategy implementation challenges and this include; Muthuiya (2004) did strategy implementation and its challenges in non-profit organizations in Kenya, a case of AMREF and he found out that

AMREF encountered challenges on inadequate resources, advocates and supporters of strategic decisions abandoning the process with resultant effect on staff commitment and enthusiasm, unsupportive organization structure, environmental factors and implementation period taking longer than anticipated. A study by Omollo (2007) focussed on the challenges of implementing strategic decisions at the Kenya Armed Forces Medical Insurance Scheme (AFMIS). She established that implementation of strategic decision as an ongoing process that requires monitoring and evaluation at all stages to determine the best alternatives in the process at any given point in time due to the changing environmental conditions and that an organization need to formulate clear and well documented strategies from the very beginning of strategy formulation through to implementation and that managerial support at all levels of the organization must identify and embrace the strategy so that staff buy in the idea and connect with strategy being implemented. Koske (2003) studied strategy implementation and its challenges in public corporations, a case of Telkom Kenya. He found that the major challenges faced by the organization were poor management and resources, poor leadership style, lack of financial resources, limited IT capacity, government regulations and unsupportive culture. The conclusion was that it was necessary for the company's strategy to be in line with the structure, leadership, culture, resources and supportive systems.

The management of New Kenya Cooperative Creameries (NKCC) has steered the organization to achieve some of its objectives which has resulted to a steady growth in returns over the years to a level of Kshs 200 million for the past year. The corporation had been making profit since the government reverted back the corporation to the public

majorly due to initiation of the strategies which has finally bore fruits as it has enabled the organization to have a competitive edge over other competitors and enabled it to export some of its products to neighboring countries thus increasing its market share. This has been associated with good leadership as well as the corporation being able to adapt to changes in the turbulent dairy industry through development and effective implementation of its strategic plans.

As observed above, the studies conducted on strategy implementation challenges did not consider the strategy implementation challenges faced by an organization which is in the dairy sector which has of late seen the companies fight each other for the control of the available market within and outside the country. This problem statement leads to the following question: what are the challenges that New Kenya Cooperative Creameries face while implementing their strategies?

### **1.3 Objectives of the study**

The objective of the study was to examine the challenges of strategy implementation process in NKCC

### **1.4 Significance of the Study**

The study will be important to:

The Inspector General of Corporations was able to monitor and evaluate implementation of the corporation strategic plans and advice effective ways of implementing it.

It enabled the NKCC management know the organization strategies which they can adopt in the face of unpredictable business environment and the details of responses to the challenges will help the firms experiencing similar challenges. In addition the study was an invaluable source of material and information to the many local firms that have opened branches in foreign countries.

The government (specifically Ministry of Co-operative development) and regulators in the dairy sector found invaluable information in the challenges corporations face in implementing good strategies and as a result put in place policies that guided and encourage other firms within and without the industry in implementing their strategies in the face of strategy implementation challenges. For academicians, this study formed the foundation upon which other related and replicated studies can be based on.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

In this chapter relevant literature has been reviewed on the environment and organizations, porter's generic strategies, the performance in a competitive environment.

#### **2.1.1 Types of strategies**

##### **2.1.1.1 Porter's Generic Strategies**

The generic strategies were used initially in the early 1980s, and seem to be more popular today. The primary determinant of a firm's profitability is the attractiveness of the industry in which it operates; an important secondary determinant is its position within that industry. Even though a firm may have below average profitability, a firm that is optimally positioned can generate superior returns. According to Porter (1980), a firm's strengths ultimately fall into one of two headings: Cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies emerge: cost leadership, differentiation and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent.

##### **2.1.1.2 Cost Leadership Strategy**

This strategy emphasizes efficiency. By producing high volumes of standardized, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a

continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features. To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labor, or some other important input.

A firm attempts to maintain a low cost base by controlling production costs, increasing their capacity utilization, controlling material supply or product distribution and minimizing other costs including advertising (Prajogo 2007). Mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, work force dedicated for low cost production, reduced sales force, less spending on marketing will further help a firm to main a low cost base (Trogovicky et al. 2005). Decision makers in a cost leadership firm will be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy. For low cost leadership to be effective a firm should have a large market share (Robinson and Chiang 2000). New entrants or firms with a smaller market share may not benefit from such strategy since mass production, mass distribution and economies of scale will not make an impact on such firms.

According to Kim et al. 2004 a low cost may act as entry barriers since new entrants require huge capital to produce goods or services at the same or lesser price than a cost leader. Further some factors such as technology which may be developed through innovation (mentioned as creative accumulation in Schumpeterian innovation) and some may even be resources developed by a firm such as long term healthy relationships build

with distributors to maintain cost effective distribution channels or supply chains. Similarly economies of scale may be an ultimate result of a commitment made by a firm such as capital investments for expansions. Also raising barriers for competition by virtue of the low cost base that enables the low prices will result in strong strategic positioning in the market. Low cost leadership could be considered as a competitive strategy that will create a sustainable competitive advantage.

### **2.1.1.3 Differentiation Strategy**

Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customer's service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyer's loyalty can also serve as an entry barrier-new firm must develop their own distinctive competence to differentiate their products in some way in order to compete successfully. A successful differentiation strategy may attract competitors to enter the company's market segment and copy the differentiated product (Lynch, 2003). The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments. The emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to an industry, (Vokurka and Davis 2004).

#### **2.1.1.4 Focus Strategy**

This strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. It is hoped that by focusing its marketing efforts on one or two narrow market segments and tailoring its marketing mix to these specialized markets, a firm can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. It is most suitable for relatively small firms but can be used by any company. A focus strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment. Organizations can make use of the focus strategy by focusing on a specific niche in the market and offering specialized products for that niche. This is why the focus niche is sometimes referred to as the niche strategy (Lynch, 2003).

#### **2.1.2 Niche market competition strategy**

A niche market strategy is defined as an emphasis on a particular need, or geographic, demographic or product segment” (Teplensky et al, 1993). Shani and Chalasani (1992, pp. 44-5) characterize market segmentation as a top-down approach, stating that it is “the process of breaking a large market into smaller and more manageable submarkets.” By contrast, niche marketing is a bottom-up approach, meaning that “the marketer starts from the needs of a few customers and gradually builds up a larger customer base. Kotler (2003) describes five key characteristics of niche markets as the customers in the niche have a distinct set of needs; they will pay a premium price to the firm that best satisfies their needs; the niche is not likely to attract competitors; the niche marketer gains certain



economies through specialization and the niche has size, profit, and growth potential.

This is competing on the basis of market performance in tune with prevailing strategies of market competition, when the firm perceives its comparative power to be lower than that of its competitor. That is, firms may believe that the discrepancy in comparative power between itself and its competitor is such that attempts to increase the firm's level of support or standards of governance may not be efficient in bridging the gap, especially given the resources required for the task. Such firms may also compete based on more traditional strategies, in order to ensure their own survival. Such a firm may attempt to create a niche for itself, rather than compete directly, Whitley (2002).

### **2.1.3 Dominant market competition strategy**

According to Wee (2001), firms within the same quadrant are not likely to have a difference in comparative power that is large enough to give one firm a significant competitive edge over another. This is because by definition, comparative power is based on measurement relative to the environmental average. Therefore as the comparative power of a firm increases, it also pushes up the environmental average, causing a marginal decrease in the comparative power of firms in more preferred quadrants. For this reason, firms which perceive themselves as being higher or equal in comparative power, are likely to pursue traditional competitive strategies and not aim to compete on the basis of increasing their comparative power, Peng & Luo (2000). These firms follow a strategy of dominant market competition. DMC is a strategic initiative followed by firms towards taking in a competitive lead in the market, usually through aggressive business tactics.

Firms aiming to secure the benefits of institutional support or to specifically increase their comparative power on the institutional support axis are likely to follow a strategy aimed at changing the status quo of support in the competitive institutional environment. According to Zucker (1997), firms may attempt to do the latter by reducing the overall levels of support available to all firms. While this may reduce the comparative power of competitors, it is equally detrimental to the interests of the firm in question. Such a reduction of overall institutional support requires commitment of large resources on the part of the firm, and has the effect of reducing the firm's own level of support.

## **2.2 Strategy Implementation**

Strategy implementation usually involves change as organizations and their environment are constantly changing. Implementation programmes vary according to the nature of the strategic problems that the organization faces. According to Jones and Hill (1997), implementation of strategy is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Organizational structure, information systems, leadership, culture, assignment of key managers, budgeting, rewards and control systems are ingredients of successful strategy implementation (Pearce and Robinson, 2007).

According to David (2003), both managers and employees should be involved in the implementation decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation,

management of conflict, organization structure, managing resistance to change, and organizational culture David (2003). In developing policies during the implementation process, methods, procedures, rules, forms, and administrative practices are established.

According to Thompson et al (2007), effective strategy implementation depends on competent personnel and effective internal organizational systems. No organization can hope to perform the activities required for successful strategy implementation without attracting, motivating and retaining talented managers and employees with suitable skills and intellectual capital. The task of implementing challenging strategic initiatives must be assigned to executives who have the skills and talent to handle and can be counted on to turn decisions and actions into results to meet established targets. Without a smart, capable result-oriented management team, the implementation process ends up being hampered by missed deadlines, misdirected or wasteful efforts. Building a capable organization is thus a priority in strategy execution. High among organizational building priorities in the strategy implementation is the need to build and strengthen competitive valuable competencies and organizational capabilities. Training therefore becomes important when a company shifts to a strategy that requires different skills, competencies and capabilities.

### **2.2.1 Factors influencing strategy implementation**

Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership. Just as the

strategy of the organization must be matched to the external environment, it must also fit the multiple factors responsible for its implementation (Bateman and Zeithaml, 1993). Strategic planning is process by which an enterprise develops a vision of the future and draws up goals, strategies and action plans for realizing the vision. Performance contracts are drawn from strategic plans which are based on strategies and targets. According to Jones and Hill (1997), implementation of strategy is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Successful strategy implementation therefore, (David 1997) must consider issues central to its implementation which include, matching organizational structure to strategy, creating a supportive organizational culture among other issues.

#### **2.2.1.1 Organizational Structure**

Organizations should be structured in such a way that it can respond to pressure to change from the environment and pursue any appropriate opportunities which are spotted (Lorsch 1967). Thompson and Strickland (1980) notes that strategy implementation involves working with and through other people and institutions of change. It is important therefore that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward should be considered. Structure (Thompson 1997) is the means by which the organization seeks to achieve its strategic objectives and implement strategies and strategic changes. Strategies are formulated and implemented by managers operating within the current structure. The structure of an organization is designed to breakdown how work is to be carried out in business units and functional departments. People work within these divisions and units and their actions

take place within a defined framework of objectives, plans, and policies. Successful strategy implementation depends on a large part on how a firm is organized. Owen (1982) agrees that strategy and structure need to be matched and be supportive of each other in order to achieve objective set. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objective. It also provides managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and at the same time enhance the firm's capacity to achieve superior efficiency, quality, innovation and customer responsiveness (Pearce and Robinson, 2007).

#### **2.2.1.2 Organizational culture**

Culture is a set of assumptions that members of an organization share in common (shared beliefs and values). Organizational culture helps in nurturing and dissemination of core values. Implementation of new strategy will be concerned with adjustments in the structure, employees, systems and style of doing things in order to accommodate the perceived needs of the strategy (Pearce and Robison, 2007). Wehrich and Koontz (1993) look at culture as the general pattern of behaviour, shared beliefs and values that members have in common. Culture can be inferred from what people may do and think within an organization setting. It involves the learning and transmitting of knowledge, beliefs and patterns of behaviour over time. This means organizational culture is fairly stable and does not change fast. It sets the tone for the company and establishes rules on how people should behave. The top managers create a climate for the organizations and their values influence the direction of the firm.

### **2.2.1.3 Leadership and Management**

Organizational structure on its own is not sufficient to ensure successful implementation of a strategy, effective leadership is required. Bateman and Zeithaml (1993) define a leader as one who influences others to attain goals. Leaders have a vision and they move people and organizations in directions they otherwise would not go. In a competitively chaotic environment, one essential contribution of a strategic leader is to provide and share a clear vision, direction and purpose for the organization (Thompson, 1997).

Leadership is the key to effective strategy implementation. The role of the Chief Executive is fundamental because a CEO is seen as a catalyst closely associated with and ultimately is accountable for the success of a strategy. The CEO's actions and the perceived seriousness to a chosen strategy will influence subordinate managers' commitment to implementation. The personal goals and values of a CEO strongly influence a firm's mission, strategy and key long term objectives. The right managers must also be in the right positions for effective implementation of a new strategy (Jones and Hill, 1997). Top management goodwill and ownership to drive the process is also critical to effective implementation of strategy. According to Thompson (1997) the strategic leader must direct the organization by ensuring that long term objectives and strategies have been determined and are understood and supported by managers within the organizations who will be responsible for implementing them.

#### **2.2.1.4 Effective Performance Management**

The level of success of a strategy depends on the degree of participation in planning and on acceptance of the goals, indicators and targets set. Therefore effective implementation of strategy plan is likely to be successful if it rests on meetings and consensus between the management and staff, rather than a top down imposition of plans and targets (Song, 1983). Goal setting involves managers and subordinates jointly establishing and clarifying employee goals. The first element of goal setting is establishing goals that are perceived as challenging but realistic and to which there is high level of commitment. It involves having employees participate in the goal setting process so as to increase motivation and performance. Participation also convinces employees that the targets are achievable and can increase their commitment to achieving them. Employee participation is likely to be effective if employee involved and will therefore support goal setting. Participation in goal setting is likely to be seen as legitimate, resulting in the desired commitment to the implementation of a strategy (Cummings and Worley, 2005).

The second element in the goal setting process involves specifying and clarifying the goals measurement. When given specific goals, workers perform higher because ambiguity is reduced than when they simply receive no guidance. Clarifying goal measurement requires that employees and supervisors negotiate resources necessary to achieve the goals such time, equipment, raw materials and access to information. If employees cannot have appropriate resources, the targeted goal may have to be revised. The process of specifying and clarifying goals can be difficult if the business strategy is unclear, hence under such conditions, attempting to gain consensus on the measurement and importance of goals can lead to frustration and resistance to change.

### **2.2.1.5 Reward and sanctions systems**

The execution of a strategy depends on individual members of organization especially key managers. Motivating and rewarding good performance for individuals and units are key success factors in effective strategy implementation (Shirley, 1983). According to Cummings and Worley (2005), organizational rewards are powerful incentives for improving employee and work group performance. It can also produce high levels of employee satisfaction. Reward systems interventions are used to elicit and maintain desired levels of performance. To the extent that rewards are available, durable, timely, visible and performance contingent, they can reinforce and support organizational goals, work designs and employee involvement.

Reward system should align the actions and objectives of individuals with objectives and needs of the firm's strategy. Financial incentives are important reward mechanisms because they encourage managerial success when they are directly linked to specific activities and results. Intrinsic non-financial rewards such as flexibility and autonomy in the job are important managerial motivators. Negative sanctions such as withholding of financial and intrinsic rewards for poor performance are necessary to encourage managers' efforts (Pearce and Robinson, 2007).

### **2.2.1.6 Resources and Capacity**

According to Thompson et al (2007), effective strategy implementation depends on competent personnel and effective internal organizational systems. No organization can hope to perform the activities required for successful strategy implementation without



attracting, motivating and retaining talented managers and employees with suitable skills and intellectual capital. The task of implementing challenging strategic initiatives must be assigned to executives who have the skills and talent to handle and can be counted on to turn decisions and actions into results to meet established targets. Without a smart, capable result-oriented management team, the implementation process ends up being hampered by missed deadlines, misdirected or wasteful efforts. Building a capable organization is thus a priority in strategy execution. High among organizational building priorities in the strategy implementation is the need to build and strengthen competitive valuable competencies and organizational capabilities. Training therefore becomes important when a company shifts to a strategy that requires different skills, competencies and capabilities.

### **2.3 Strategy implementation challenges**

The mindset of an organization should be focused on determining approaches as to attain objectives, by assessing increased external pressures of competitiveness within the respective industries, and by further establishing astute means to exploit intellectual resources and other organizational capabilities for sustained growth. For organizations that require knowledge as its primary asset, it is essential to continually focus on advanced techniques and innovative means by which to adapt to and to progress in an evolving environment. Schein (1993) maintains that because of this natural tendency to resist change and prefer the status quo, organizations have developed a number of immune systems that leaders must overcome if they hope to implement a new strategy successfully. As the need to consistently monitor performance against defined

organizational goals, and to sustain a competitive advantage, knowledge-based firms encounter challenges for effectively leading key resources to maximize relevant competencies aligned with organizational change. It is crucial that these types of organizations create structures conducive to decision-making from multiple perspectives, and specifically for pharmaceutical companies, researchers should have keen skills in integrating analyses and results of studies with strategic plans of the organization.

### **2.3.1 Environment and Organizations**

The environment can be classified into internal and external environment. The external environment refers to those factors outside the organization's influence but which affect the organization's operations. The external environment presents opportunities which the firm can exploit and poses threats which can hinder the organization's activities. The internal refers to factors within the organization which the organization exercises a great deal of control over and which affect the organization's operations. This presents the organization's strengths and weaknesses. The internal environment therefore constitutes an organization's internal capability which is essential in addressing the external environment. Pearce and Robinson (1997) argue that in order for organizations to achieve their goals and objectives it is necessary for them to adjust to their environment.

The firm's environment consists of remote environment, industry environment and operating environment. The remote environment comprises factors that originate beyond and usually irrespective of, any single firm's situation. This environment presents a firm with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence (Pearson and Robinson, 1997). Industry environment

relates to the potential threats that affect an organization and thus affect how much profit organizations competing in the same industry can expect to make, in order to counter them. Operating environment, also called the competitive or task environment comprises factors in the competitive situation that affect the firm's success in acquiring needed resources or in profitably marketing its goods and services. Firms can be more proactive in dealing operating environment. They include competitors, suppliers and creditors, human resources and customers.

### **2.3.2 Bad strategy – poorly conceived business models**

Sometimes strategies fail because they are simply ill conceived. Some telecommunications start-ups, some of their business models were flawed because of a misunderstanding of how demand would be met in the market. That is, their strategies did not include some means of connecting customers at the local level i.e. through the assets of incumbent local exchange carriers, (McCracken, 2002).

### **2.3.3 Effective competitor responses to strategy**

Fundamentally, strategy is about out-performing the competition – but a strategy can be foiled by a highly effective response by a key competitor. Ultimately, to effectively anticipate competitors' reactions to a strategy, a company needs a solid competitive intelligence capability. This does not require one to conduct corporate espionage to access competitive secrets. Rather, it requires that companies understand competitors' market positions, their relative competitive advantages and disadvantages, their historical behavior *vis-à-vis* competitive strategy, and the general disposition of their respective management teams, (Berthoff, 2002).

### **2.3.4 Unanticipated market changes**

Strategies often fail because the market conditions they were intended to exploit change before the strategy takes hold. Products life cycles are shorter, disruptive technologies emerge with greater frequency, and financial markets can be fickle. And, many markets are experiencing rapid, discontinuous change. Larry Downes (The Industry Standard, 2001) makes this point persuasively based on his research into strategy execution mistakes. Specifically, Downes finds that “technology challenges the old rules and assumptions” and creates daunting “external obstacles to execution”.

Although predictions about evolving markets are notoriously unreliable, CEOs can take a few simple steps to prepare their companies for unanticipated market change: Taking the time to identify what market conditions have the greatest influence on their strategy. By understanding what factors have greatest impact on their strategy’s success, they can respond more quickly if they change, recognizing what they do not know in the words of Donald Rumsfeld, identifying “the known unknowns”, Burnes (2004)

### **2.3.5 Lack of resources**

Some strategies fail because not enough resources were allocated to successfully implement them. Lack of resources is generally a bigger threat to capital-intensive strategies. Kubinski (2002) observed this failing in both “fast-growth, new companies that feel understaffed due to growth demands” and companies “under heavy competitive pressure” who felt they could not spare resources to drive strategic innovation.

It is generally a good idea to include financial evaluation of a (draft) strategic plan in the process – in part to ensure the strategy does not inadvertently destroy shareholder value and in part to ensure that sufficient resources (especially capital dollars) will be available to achieve implement. The process can be relatively simple – crafting a base case financial model and layering the impact of strategies on top of that base case. Alternatively, the process can be highly sophisticated, including an analysis of alternative funding sources, the impact of merger synergies on financial performance, and other considerations. Regardless of the degree of modeling sophistication employed, CEO's can expect to make smarter strategic choices up-front and to deploy limited resources more effectively as a result, (Lynch, 2003)

### **2.3.6 Lack of focus**

A corollary to the need for timeliness and distinctiveness is the need for strategic focus. Some companies try to be all things to all people. As a result, they lack distinctiveness, but importantly, they also lack focus. As a result, resources are dissipated and priorities are never clearly articulated. With little sense of prioritization, employees are a bit like carnival plate spinners always frantically working to keep things from collapsing, but never really making progress, (Berthoff, 2002).

According to Hyatt, (2001) strategy implementation always involves more people than strategy formulation. This presents problems. Implementation demands ownership at all levels of management hence effective execution involves managers across all hierarchical levels. Committing to and owning the process is central to effective execution. The

execution tasks, jobs, and responsibilities vary across levels, but they all are interdependent and important. Execution is a key responsibility of all managers.

### **2.3.7 Failures of buy-in, understanding, and/or communication**

Some strategies fail because there is insufficient buy-in to or understanding of the strategy among those who need to implement it. According to Giles (1991) a strategy implementation fails when “implementers do not own the strategy”. Guffey and Nienhaus (2002) found a strong link between organizational commitment (e.g. strong belief in the organization’s goals and values, willingness to exert effort on behalf of the organization, and strong desire to maintain membership in the organization) and employees’ support of the organization’s strategic plan. Effective communication of the strategy and its underlying rationale are also critically important particularly when reaching out beyond the group directly involved in the development of the strategic plan.

Communication down the organization or across different functions becomes a challenge. Making sure that processes throughout the organization support strategy execution efforts can be problematical in a large organization. Linking strategic objectives with the day-to-day objectives at different organizational levels and locations becomes a challenging task. The larger the number of people involved, the greater the challenge to execute strategy effectively, McCracken, 2002).

### **2.3.8 Timeliness and distinctiveness**

Some strategies fail because someone beats the company to market with a similar idea or strategy. Similarly, some strategies fail because they leave the company undistinguished in the market (i.e. others are pursuing the same strategy and/or market position). Fundamentally, a good strategy should distinguish the company from others in ways that make a difference to customers. CEOs should be encouraged to take three simple steps in developing a distinctive strategy understand the company's genuine strengths (particularly those that span multiple functions), examine the marketplace to understand what market positions are (or may be) unoccupied, focus the company's strategies on bringing its verifiable strengths to bear in capturing those unoccupied strategic positions, (Malburg, 2000).

The successful implementation of strategy takes more time than its formulation. This can challenge managers' attention to execution details. The longer time frame can also detract from managers' attention to strategic goals. Controls must be set to provide feedback and keep management abreast of external "shocks" and changes. The process of execution must be dynamic and adaptive, responding to unanticipated events, (Malburg, 2000).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the proposed research design, data collection and the techniques for data analysis that was used.

### **3.2 Research Design**

The study was modeled on a case study design. Kothari (1990) defines a case study as a powerful form of qualitative analysis and involves careful and complete observation of a social unit be it a person, family, cultural group or an entire community and/or institution. The study focused on the challenges encountered by KCC in implementing its strategies. By using case studies, researchers were able to probe, collect data and explain phenomena more deeply and exhaustively (Mugenda and Mugenda, 2003).

### **3.3 Data Collection**

The study used both primary and secondary data; Primary data was collected through a face to face interview by the researcher with the help of an interview guide. The respondents consisted of top management involved in strategy implementation and they included: managing director, strategy advisor, technical manager, operations manager, marketing manager, commercial division and the human resource officer. The respondents gave insight into some of the challenges which they encountered when they were implementing the set strategy. The organizational structure is such that the organizations board floats the idea on a strategy to be implemented by the corporation and the managing director to convey the message to his/her staff on the proposed strategy



to be undertaken. Secondary data was collected from the organization's documents such as annual reports, strategic plan and end term evaluation.

### **3.4 Data Analysis**

The data collected was qualitatively analyzed by use of content analysis techniques. The information was analyzed and evaluated to determine their usefulness, consistency, credibility and adequacy. The content analysis technique was used because it assisted in making inferences by systematically and objectively identifying specific messages and then relating them with their occurrence trends. Similar studies in the past like those done by Armule (2003) and Kandie (2001), Karoney (2008) used this technique of content analysis to analyze data collected from a case study.

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

The objective of the study was to establish strategy implementation challenges at New KCC. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

### **4.2 Demographic data of respondents**

The respondents consisted of managing director, strategy advisor, technical manager, operations manager, marketing manager, commercial division and the human resource officer. The researcher did not interview all the respondents as the acting managing director was not out of the country at the time of interview. This resulted to 85.7% response rate which was considered adequate for the study. All the respondents have had adequate experience on the challenges facing strategy implementation as majority of the interviewees have worked in the organization for more than two years. The level of education helps an individual to carry out its tasks without much supervision and this is an asset to New KCC as the interviewees' level of education was a degree level and above. With this solid background, it was felt that the respondents were knowledgeable enough on the research subject matter and thus of help in the realization of the research objective.

In addition, the views of both genders were represented in the respondents interviewed because two of the respondents were female against three men. This meant that the views expressed by the respondents were not gender biased.

### **4.3 Strategy implementation challenges at New KCC**

Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership. Just as the strategy of the organization must be matched to the external environment, it must also fit the multiple factors responsible for its implementation. New KCC faces a number of challenges in implementing its strategies. All the respondents identified different factors that have hindered effective implementation of the strategy as Channel conflicts between organizational culture, organizational structure, inadequate resources, unpredictable leadership decisions and stiff competition from rivals.

However, challenges in the implementation of the company strategy have not been taken lightly by the corporation as various measures have been undertaken to overcome the challenges and move the organization towards the realization of its objectives.

#### **4.3.1 Organizational structure**

The respondents indicated that the organizations structure in some cases has posed a challenge to strategy implementation. The structure of an organization is designed to breakdown how work is to be carried out in business units and functional departments and not to be an impediment in the developing or implementing the organizations strategies. It was observed that the top-down structure that has been adopted by the organization though good for controlling the activities of the organization, has impacted its decision making process. Its response structure was found to be slow and in some cases lead to the loss of opportunities. It is important therefore that in designing the

structure and making it operational, key aspects such as empowerment and communication process is considered.

However, the respondents suggested a number of steps that has been taken to remedy the situation which include, yearly revision of structures in line with business demands which was meant to address the emergence of more milk processing factories, the designation of clearly process flow that is meant to address the inadequacy in the general know how of the key implementation challenges. Further when asked about other challenges in strategy implementation which is brought about by the way the structure was organized, the respondents pointed out that some roles were not clearly structured and that they lacked the supporting structure. In addition the management failure to take initiative in creating a sustainable favorable environment within the firm that could incorporate all the stakeholders in the implementation process was identified as a major challenge.

The respondents recommended various ways of addressing the challenges faced in strategy implementation as far as the organization structure is concerned and identified yearly assessment of individual roles to ensure proper revision of the structure to be in line with the organization strategy, encouraging teamwork and ensuring that there was a conducive working environment - which they said would create room for discussions, interaction and proper communication. This they argued would be achieved through good working relations between peers and holding effective staff meetings. Furthermore, additional training together with constant focus on the organization goals were also identified as great remedies to these challenges.

### **4.3.2 Organizational culture**

The respondents agreed that the culture in their organization hindered its implementation of strategy. The culture factors that were identified by the respondents varied and included resistance to change and the fear of the unknown. Some of the respondents indicated that there is a certain number of senior staff members that are used to a certain way of doing things in the organization and whenever new changes were introduced or change of strategy is required to capture a certain opportunity or counter a given threat, the same group will be slow in decision making that will lead to the loss of opportunity. The respondents observed that when employees were used to a given way of life or doing things normal new ideas were seen as a threat to the existing culture and will naturally resist the same. The farmers influence on the implementation of the organization strategy was also noted as a challenge. The farmers who deliver milk to the corporation desires high prices for their milk deliveries thus their expectation is high and also abhorring high level of expectation. Thus in some circumstances, noted the respondents, the high expectations from the farmers hindered changes in strategy of the organization because of the fear of losing some of the farmers delivering milk to its plants to competitors.

The researcher also wished to get from the respondents how they overcame the challenges posed by the values and beliefs shared by the organization employees and still ensured the maintenance of the organization culture. The respondents did indicate that the involvement of the senior management in strategy implementation and training together with communication of benefits of changing the strategy to all staff were key ways to

overcome most of the challenges realized in strategy implementation. One of the respondent noted that whenever the board took the employees through the benefits of changing a particular strategy, they encountered less challenges in its implementation. In addition, the respondents recommended the openness of board meetings to create an all inclusive process where the staff could feel part and parcel of the process. The researcher found out that some of the suggested strategies are not inspirational while others are. The respondents said some of the strategies were not inspirational due to the top – down approach being used by the organization to design and implement the strategies.

#### **4.3.3 Leadership and management**

The researcher also wished to identify from the respondents if leadership and management was a challenge to the process of strategy implementation. All the respondents were of the opinion that indeed leadership was a big challenge to the process. They supported this view by pointing out the various kinds of challenges faced by the organization that were as a result of leadership and management. Rigidity and bureaucracy together with the failure to embrace new ideas and innovational technology in business was noted as a challenge. In addition, some of the managers have been known to lack expected competence to ensure actualization of the strategies. Management resistance to change and new ideas, lack of visionary leadership together with poor leadership skills and knowledge are still additional challenges facing the organization. Some of these leadership skills were found to be due to a lack of proper training and this could be solved by training those in the management positions.

Some of the remedial measures recommended by the respondents to deal with the challenges posed by leadership include, hiring of experts to engage senior management on the need for change, in addition they proposed that retreats for senior management and the board ought to be scheduled to discuss the need for strategy implementation. Moreover leadership training sessions to instill a set of management competencies was advocated for which they said could deliver better competitive and commercial practice, appraisal of individuals was recommended as there was a believe that performing/best individuals could be identified ad rewarded.

The success of an organization will depend with how they deal with the challenges which they have encountered during the implementation of its strategies and in New KCC, whenever evaluations recommend certain actions to be taken, the management does so. For example they have revised their operations manuals, sensitization of staff and other stakeholders to ensure that the change spirit is sustained, training of culture change to all the staff members of staff, investing in new machineries, technology change-implementation of SAP software to acquire online transactions, allocating funds for staff capacity building to address capacity gaps, ensuring qualified and competent staff with the relevant skills are recruited and development and review of the human resource manual to address staff matters. This enables the management to allocate staff work according to the competencies. The management commitment to ensure that strategies are implemented in the organization is a major factor to strategy implementation in the whole organization. The level of New KCC management involvement in strategy implementation was moderate and these were attributed to implementation of projects

drawn from the strategy and have a regular external evaluation which gives the organization feedback on their progress.

In addition, the respondents were of the opinion that not all employees were involved in strategy formulation as the strategies were driven from the managing director to the head of departments. This may lead to sabotage on the part on the part of the employees since they were not involved in the process of formulating the strategies. However for effective and up to date strategies the interviewees were of the opinion everybody should be made aware of the annual operation plan, improve communication on strategy implementation downwards and make use of competent staff. This will enable the management to keep abreast with any issues that might emerge and recommend corrective measures before any damage is done and continuous internal review should be done regularly.

The pace at which change was implemented was slow and this may influence the desired result which was expected to be achieved by a certain time and therefore the organization needs to put in place all factors in order to increase the pace at which change takes place. The various factors which the interviewees cited as slowing the pace of implementation were; Political factors-sometimes implementation of change may delay due to bureaucratically requirements for approvals which are politically motivated, relationship between strategic managers and those at the lower level, external factors such as climatic weather conditions, financial factors i.e. projects requiring high capital investment may delay owing to unavailability of funds as the firm depends mostly on the Government to finance major operations, economic factors like the intended privatization of New KCC has imposed halting of changes which may affect the value of the company as a going



concern, lack of commitment from the top management and staff and lack of Government commitment to ensure the successful implementation of strategic plans.

#### **4.3.4 Reward and sanctions system**

The respondents highlighted that reward and recognition are some of the ingredients of motivation which involve increased salary, bonuses and promotion which are conferred as public acknowledgment of superior performance with respect to goals. This seems to be very true in most cases whereby if staff are rewarded they are motivated to work extra hard and make better financial performance for the organization so as to encourage the employer to keep rewarding them especially as far as their salaries or wages are concerned. Reward and recognition activities are valued by employees and therefore provide motivation or incentives.

The respondents were in agreement that if executed appropriately, these activities can, to a certain degree, secure employees' commitment to their jobs and make their jobs more enjoyable. This means giving close attention to how individuals can best be motivated through such means as incentives, rewards, leadership and importantly the work they do and the organization context within which they carry out that work. In addition the respondents were of the opinion that well motivated people are those with clearly defined goals who take action that they expect will achieve those goals. Such people may be self-motivated, and as long as this means they are going in the right direction to achieve what they are there to achieve, then this is the best form of motivation.

#### **4.3.5 Effective performance management**

Performance management is an integrated process of defining, assessing and reinforcing employee work behaviours and outcomes. Performance management includes practices and methods for goal setting, performance appraisal, and reward systems which influence the performance of individuals and work groups.

Performance appraisal is feedback system that involves the direct evaluation of individual performance by a supervisor, manager or peers. Thus performance appraisal represents an important link between goal setting process and reward systems. Most of the respondents said they review/appraise their performance on quarterly basis. These shows that most of the respondents prefer a shorter appraisal period to enable them determine areas where targets are not being met and therefore make the necessary adjustments. The organization needs determines the frequency of strategy communication to those charged with implementing the strategy set and this may have prompted the organization to be reporting on quarterly inform of quarterly reports, balance score card which forms the basis of performance management as well as annually when doing performance reporting. The reports ensure that the organization is on track to achieving its objectives as they can deal with any challenge on the way which may affect the attainment of its objectives.

#### **4.3.6 Resources and capacity**

The respondents agreed unanimously that resource constraints hindered strategy implementation. Human resource capacity in terms of qualifications, competence and numbers were identified as a major constraint. Furthermore financial and time resource

were highlighted, the respondents argued that when there is time shortage i.e. given time is underestimated, external partners also delay in providing expected support in time. Poor time planning may lead to disillusionment of the partners on strategic decisions who may quit the business before implementation is complete. As far as the resource is concerned setting and communicating deadlines that are workable as well as prioritizing on the policies is key. Strategy implementation requires availment of all the necessary resources which includes the monetary and non monetary resources for it the strategy to succeed. As New KCC depends largely on its own resources generated through their own operation the execution of a strategy therefore is done on availability of resources allocated through budget process.

Regarding prioritization of the various strategies, the respondents indicated that there is prioritization of the strategies as the strategies are prioritized based on the finance available vis-à-vis the urgency to implement the strategy and the classification of the strategies into specific time frames at the point of formulation. With financial resources, proper planning and prioritizing of the policies is a key factor to consider avoiding wastage. It is also important to set aside enough finances for the project while ensuring that staff are motivated and recognized i.e. through reward and appreciation schemes. The staffs with adequate training in their roles in strategy implementation are nerve centre in boosting the organization competence and qualification to handle demanding tasks. As a result, the respondents noted that when the organization is setting budgets, it ought to incorporate adequate resources to ensure the realization of the set goals and putting in place mechanism of addressing the issue of resource limitation in their role.

The firm has been fairly affected by political interference as a government corporation under the ministry of cooperative development, they have to report to the ministry which may be influenced by the politicians. However, the politicians interfered with the organization by colluding with those charged with looking into the operations of the organization by hijacking the well crafted strategies of the corporation. From the findings on the number of members who can be considered as political appointees and serving in any position, the respondents said that the managing director is appointed by the minister, all the non executive board members been made up of ten members appointed by the minister, the board members are appointed by the minister while the board chairman is appointed by the president.

#### **4.3.7 Effective Competitor response to strategy.**

The respondents highlighted that the rivalry in the dairy sector is so intense that it has speeded up the New KCC strategy formulation and implementation. All the other milk processors/rivals in Kenya produce almost similar product mix. For the New KCC they have come with a differentiation strategy of innovating a new product which is a non-cow milk product to overcome the challenge of rivalry. The firm has shown a distinctive innovative approach which if enhanced can make have an edge over competition.

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

### **5.1 Summary of findings**

The respondents in the study consisted of senior management staff of the New Kcc. All the respondents have had adequate experience of the challenges facing strategy implementation since majority have worked in the firm for more than two years. Their education level was a degree level and above which helped the individual to carry out tasks without much supervision. Gender was well taken care of in the study.

There were several challenges encountered by the organization .These include inflexible organization structure, unresponsive leadership and management, inadequate resources and staff capacity, un-adaptive organizational culture, poor team work or coordination, low motivation among the implementing team, unsatisfactory monitoring of the process, non participative and autocratic leadership among some managers, limited resources(financial, human resource and technology),unrealistic targets-SMART targets, poor staff remuneration hence high turnover, lack of ownership of the strategic plan through staff participation and communication, capacity limitations in terms of equipments, resistance to change and lack of confirmed leadership for along time and varied needs of stakeholders.

The top-down organizational structure that has been adopted by the organization though good for controlling activities of the organization, has impacted its decision making process. The structure was found to slow down the process and in some cases lead to loss

of opportunities. It is important therefore when designing the structure and making it operational, key aspects such as empowerment and communication process is considered. It was also noted that the organization structured should be restructured to facilitate quick response than is currently witnessed.

Organizational culture highly impacted on the strategy implementation process. Resistance by stakeholder to embrace the new changes by the organization due to fear of the unknown resulted in slow decision making leading to loss of opportunities also. It was noted that whenever the board took the staff through the benefits of changing a particular strategy they encountered less challenges in implementation.

The respondents observed that in the case of New KCC, some managers have not been enthusiastic enough in implementing some of the organization strategies and coming up with strategies to counter the challenges that face the firm and this has hampered their success. In a competitively and chaotic environment, one essential contribution of a strategic leader is to provide and share a clear vision, direction and purpose for the organization. Leadership is the key to effective strategy implementation and whenever there is no clear leadership in a process then chances are possible that the organization might not achieve its objectives.

It was apparent that the management of the organization has reacted to the recommendations of the evaluators by; have revised their operations manuals, programs have been requested to develop their project operational manuals as well, sensitization of staff and other stakeholders to ensure that the change spirit is sustained, participating in

brainstorming sessions to advise the management on how to deal with the strategy challenges, training of culture change to all the staff members of staff, investing in new machineries, technology change-implementation of SAP software to acquire online transactions, allocating funds for staff capacity building to address capacity gaps, ensuring qualified and competent staff with the relevant skills are recruited and development and review of the human resource manual to address staff matters.

The management of the organization commitment to strategy implementation was rated as moderate and these were attributed to implementation of projects drawn from the strategy and have a regular external evaluation which gives the organization feedback on their progress. The employees commitment to the strategy implementation indicated that the employees' were not committed to the process of implementing the strategies due to poor working environment/motivation, poor remuneration, non involvement in the formulation of the strategies, some being unaware of the strategic plans and autocratic leadership style of some leaders. The resources needed to ensure that the strategies formulated are implemented on schedule were not availed as New KCC depends largely on its own resources generated through their own operation and therefore the execution of a strategy is done on availability of resources allocated through budget process. The numbers of appointees which are made either by the president or the minister are many and therefore there is much political interference comes in when the appointees are not professionals but political allies and in this case it has been the norm in the corporation.

## **5.2 Conclusions**

From the research findings and the answers to the research questions, some conclusions can be, made about the study.

Strategy formulation and implementation is very vital for the functioning of any organization. The design of the strategy should inspire the staff to perform and not deter them and therefore the management should ensure that the strategies which they set to achieve are inspirational. The frequency of communicating the strategies to be implemented is so crucial to be achievement of the strategy and therefore the feedback should be done regularly to ensure that incase a strategy is lagging behind some other means can be done to ensure that succeeds. The pace of implementing a strategy, determines whether it will be completed or not and therefore the organizations strategies may not be completed due to the fact that the pace of implementation is moderate. The organization management should put in place mechanisms which should address the factors hindering the pace of implementation. The major challenges encountered in the process of strategy implementation are poor team work/coordination, low motivation among implementing team, unsatisfactory monitoring of the process, non participative and autocratic leadership among some managers, limited resources (financial, human resource and technology), unrealistic targets – SMART targets, poor staff remuneration hence high turnover, lack of ownership of strategic plan through staff participation and communication, capacity limitations in terms of equipments, resistance to change and lack of confirmed leadership for a long time.



The organization employee's were not committed to the process of implementing the strategies due to poor working environment/motivation, poor remuneration, non involvement in the formulation of the strategies, some being unaware of the strategic plans and autocratic leadership style of some leaders. There was no specific allocation of resources for the strategy as New KCC depends largely on its own resources generated through their own operation and therefore the execution of a strategy is done on availability of resources allocated through budget process. There was political interference in the corporation as the there was a high number of appointees made who are not professionals but allies and also the corporation has been without proper management since the position of the director has been in an acting capacity thus contributing to the challenge of implementation of strategies.

### **5.3 Recommendations**

This study makes a few recommendations that have policy implications for decision makers. Strategy implementation should not be viewed as a one-off process; the management should inculcate a practice of regular review and reference making of the Strategic plan throughout its lifespan. The study found out that not all the commission stakeholders were involved in strategy formulation. It is therefore recommended that all the employees and the commission stakeholders should be part and parcel of the process and therefore the commission should ensure that when they are designing and compiling a strategy to be implemented, they consult all the stakeholders. The organizations strategy is an important component which should inspire the staff to succeed and therefore the management should ensure that the strategies they come up with are inspirational.

The corporation faces numerous challenges and they should liaise with the government through the parent ministry on how to tackle the challenges highlighted like poor team work/coordination, low motivation among implementing team, unsatisfactory monitoring of the process, non participative and autocratic leadership among some managers, limited resources (financial, human resource and technology), unrealistic targets – SMART targets, poor staff remuneration hence high turnover, lack of ownership of strategic plan through staff participation and communication, capacity limitations in terms of equipments, resistance to change and lack of confirmed leadership for a long time.

The pace at which the corporation was implementing its strategy was low, it is therefore recommended that the corporation should look for ways of improving the pace at which the strategy is implemented as it was suggested that it is slow which is not desirable for the corporation if it wants to ensure it achieves its goals.

#### **5.4 Recommendations for further research**

The study confined itself to New KCC which is a government corporation. This research therefore should be replicated in other corporations and the results be compared so as to establish whether there is consistency on the challenges they encounter when they are implementing strategies.

#### **5.5 Limitation of the study**

The study was based on a corporation which has undergone transformation from a public entity to a private one then public again and thus the corporation faces many challenges. However, the limitation did not have any adverse effects on the findings of the study.

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## **Appendix II**

### **Interview Guide**

#### **Goals of the interview process**

To determine challenges of strategy implementation at New KCC

#### **Interview Questions**

The following sections provide sample questions to be used in evaluating strategy implementation challenges.

#### **Background Review**

The following questions are designed to confirm the ability of the respondent to answer the research questions adequately.

#### **Educational Background**

- 1           What is the highest level of education you have received?
- 2           How long have you worked in this organization?

#### **Strategy implementation challenges at New KCC**

Following is a list of questions designed to gather information relating to strategy implementation challenges at New KCC.

1.    Are you aware of any major strategic changes that have occurred in New KCC in the last 5 years? If yes, enumerate a few?
2.    Does the organization strategy procedure clear and concise? If no, suggest ways to improve the way to carry it out?
3.    How long did the formulation of the firm's strategies take and what factors determined the duration?

4. What approach can you describe the organization strategy formulation to adopt?  
Top- down or bottom- up approach?
5. While implementing the strategy, does the organization priorities the various strategies? If yes, what basis does the organization use in the coming of the order of executing the plans?
6. Were all employees representatives involved before arriving at the strategies to be implemented?
7. Is the strategies suggested by the management inspirational?
8. How often is feedback on strategy implementation communicated to you/employee?
9. What means of communication does the management use to communicate the awareness of change at New KCC?
10. What factors may have influenced the speed of implementation of change in New KCC?
11. Were the concerns of clients taken into consideration before implementing the strategic change?
12. What were the major challenges which were encountered in the process of strategy implementation?
13. How has the management reacted to strategy implementation challenges that exist at New KCC?
14. How would you rate the level of management involvement in strategy implementation?

15. To what extent were the employees committed to strategy implementation process?
16. How were the resources committed/ availed to facilitate the change?
17. How has the firm and to what extent has it been affected by political interference?
18. In the strategy implementation team, how many members can be considered as political appointees?