IMPLEMENTATION OF DIVERSIFICATION STRATEGY AT KENYA POWER AND LIGHTING COMPANY LIMITED

BY

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OCTOBER 2013
DECLARATION

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

Signed ...................................... Date ........................................

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D61/66792/2010

The project has been submitted for examination with my approval as the University Supervisor

Signed ...................................... Date ........................................

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SCHOOL OF BUSINESS
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DEDICATION

This project is dedicated to my dear wife Olivia and our children Shem, Ray and Nicole for their wonderful support and love and also to my dear parents Mr Alphonse Ombaka and Mrs Lorna Ombaka of Mfangano Island for the sacrifices they made in educating me.
ACKNOWLEDGEMENTS

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My sincere thanks also go to the top KPLC management for granting me opportunity to interview them in the process of data collection for this project. Last but not least, many thanks to all who may have assisted me in one way or the other to successfully complete this project. May the Almighty God Bless you all.
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## ABBREVIATIONS AND ACRONYMS

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADSS</td>
<td>All Dielectric Self Supporting</td>
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<tr>
<td>ATM</td>
<td>Asynchronous Transfer Mode</td>
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<td>EAP&amp;L</td>
<td>East African Power and Lighting Company</td>
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<td>ERB</td>
<td>Energy Regulatory Board</td>
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<td>ERC</td>
<td>Energy Regulatory Commission</td>
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<td>GDC</td>
<td>Geothermal Development Company</td>
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<td>IPP</td>
<td>Independent Power Producers</td>
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<td>KENGEN</td>
<td>Kenya Electricity Generating Company</td>
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<tr>
<td>KETRACO</td>
<td>Kenya Electricity Transmission Company</td>
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<tr>
<td>KP</td>
<td>Kenya Power</td>
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<td>KPLC</td>
<td>Kenya Power and Lighting Company</td>
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<tr>
<td>MHI</td>
<td>Manitoba Hydro International</td>
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<tr>
<td>MOE&amp;P</td>
<td>Ministry Of Energy and Petroleum</td>
</tr>
<tr>
<td>mW</td>
<td>Mega Watts</td>
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<tr>
<td>OPGW</td>
<td>Open Ground Wire</td>
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<tr>
<td>RBV</td>
<td>Resource Based View</td>
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<tr>
<td>REA</td>
<td>Rural Electrification Authority</td>
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<tr>
<td>SCADA</td>
<td>Supervisory Control and Data Acquisition</td>
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<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>SDH</td>
<td>Synchronous Digital Hierarchy</td>
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<tr>
<td>TBU</td>
<td>Telecommunication Business Unit</td>
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<tr>
<td>VRIN</td>
<td>Valuable, Rare, Inimitable and Non-Substitutable</td>
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ABSTRACT

Changes in the environment play a great role in the development of an organization’s overall strategies. Diversification is a corporate strategy that allows the organization to enter lines of business that are different from current operations. Implementation of diversification strategy is one way of helping management of organizations to survive under turbulent environments. This study aimed at illustrating how KPLC had implemented its diversification strategies to strengthen its future survival in a competitive market situation. It also sought to determine the challenges of implementing diversification strategy at Kenya Power and Lighting Company Limited. With the threat of competition, KPLC has prepared itself adequately for any future eventualities. The Company has diversified its business as a way of leveraging the assets and resources and increasing shareholder value. In leveraging on the Supervisory Control and Data Acquisition (SCADA) infrastructure, the Company has installed 1200 km of a 24 pair fibre optic cable on its transmission infrastructure and is utilizing 6 pairs internally with the remaining 18 pairs being made available for lease to licensed telecommunication operators. In future, all new transmission lines are to be built with fibre optic cables. This venture is already earning the company billions of shillings in profits from the leasing of fibre optic infrastructure to telecommunication firms. Through consulting business, the Company has in the recent past entered into international consulting in partnership with Manitoba Hydro International in order to apply its knowledge and experience more widely. Currently KPLC has partnered with MHI to provide managerial services and key executive staff to the electricity companies in Liberia, Rwanda and Afghanistan. The research design used was case study and collection of primary data for the study was done using an interview guide. The data obtained from the personal interviews was analysed qualitatively using content analysis. Findings from the interviewees showed that diversification is very critical to the overall success of KPLC. The interviewees indicated that diversification was a key pillar for the growth of the company and that it had not only increased revenue streams but also dealt with market threats to the organization. Despite of the success in carrying out the study, there were limitations experienced during the overall process. Key among them was the limited time and busy schedules of the interviewees. Not all the interviewees were interviewed as planned due to their busy schedules. Similar studies could be carried out in other government based monopoly utility institutions that have diversified to find out if diversification has been successfully implemented there and come out with a generalised understanding and policies on diversification strategy implementation in such institutions.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Corporate strategy is crucial for any organization to succeed in a turbulent environment. Diversification is a corporate strategy for organizations that is aimed at increasing market penetration and thereby increasing sales and gaining market share. The purpose of diversification is to allow the organization to enter lines of business that are different from current operations. According to Johnson and Scholes (1997), strategy can be seen as building on or stretching an organization’s resources and competences to create opportunities or capitalise on them. An important element of corporate strategy in an organization is to build corporate advantage and grow returns for investors.

A number of theories have been advanced towards diversification strategy. Key among them are the open systems theory, resource-based view theory and the dynamic capability theory. Open systems theory is based on the concept that organizations are strongly based on the environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature and also provides key resources that sustain the organization and lead to change and survival.

The resource-based view (RBV) theory argues that firms possess resources, a subset of which enable them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage.
That advantage can be sustained over longer time periods to the extent that the firm is able to protect itself against resource imitation, transfer, or substitution.

Dynamic capabilities theory examines how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment. The theory aims at understanding how firms use dynamic capabilities to create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Teece, 2007).

Kenya Power and Lighting Company Limited has been a monopoly over the years for a very long time. Its operating environment has changed over time and this has played a great role in the development of the organization’s overall strategies. With the threat of competition, and the changing customer needs, the company has prepared itself adequately for any future eventualities. The Company has diversified its business as a way of leveraging the assets and resources and increasing shareholder value. Successful implementation of diversification strategy in the company is therefore necessary for the company to meet its operational demands. This research project focuses on implementation of diversification strategy as one of the strategic options adopted by Kenya Power and Lighting Company Limited in order to achieve competitive advantage and grow returns for investors.

1.1.1 Diversification Strategy

Diversification is a corporate strategy for organizations that is aimed at increasing market penetration and thereby increasing sales and gaining market share. According to Johnson and Scholes and Whittington (2008), 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 challenging environment, to meet the needs of markets and to fulfil stakeholder expectations. Diversification is a form of corporate strategy whose purpose is to allow the organization to enter lines of business that are different from current operations. In order for organizations to remain competitive, there is need to craft differentiation strategies so as to have an edge over its competitors (Porter, 1985). Many organizations are therefore formulating appropriate strategies in order to gain competitive advantage.

Companies diversify either by acquiring already existing businesses or by expanding their own businesses into new markets and new areas of production or service. According to Mintzberg and Quin (1991), as organizations grow large, they become inclined to diversify. One reason is protection i.e. Large organizations tend to be risk averse-they have too much to lose-and diversification spreads the risk. Additionally, as firms grow large, they come to dominate their traditional market, and so must often find growth opportunities elsewhere, through diversification. Diversification can occur either at the business unit level or at the corporate level. It involves directions of development which take the organization away from its present markets and its present products at the same time it is the riskiest of all forms of corporate strategy (Ansoff, 1988).

According to Bruche (2000) diversification is traditionally under two broad headings namely related and unrelated diversification. Spreading risk is an advantage of diversifying into unrelated areas. There are however dangers when moving into new markets and industries, especially when you have little or no experience and expertise in that area.
There is also the possibility that a move could be made and then the industry starts to go into decline and thus leaving the company at a higher risk as it becomes less easy to diversify elsewhere.

### 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). To be successful, an organization needs to formulate a strategy that is appropriate for the organization, appropriate for the industry, and appropriate for the situation. Strategy implementation and execution will be effective if it maintains a balance between preventing failures and promoting success simultaneously. For strategy implementation to be successful it requires managers to communicate the case for organizational change clearly and persuasively to all organizational members the commitment required to carry out the strategy and meet performance targets.

Management’s handling of the strategy implementation process can be considered successful if and when the company achieves the targeted strategic and financial performance and shows good progress in realizing its long-range strategic vision. True leaders have a clear vision and are 100% committed to pursuing it and in most cases something often goes wrong as the leaders try to bring their vision to life. It is however important to note that there is no one universal approach to strategy implementation. Different organizations will implement same strategy but in varying ways.

It is said that without coherent aligned implementation; even the most superior strategy is useless. Most strategic planning efforts fail during this crucial phase, wasting significant resources already invested. Pearce and Robinson (1994) hold that
even after the grand strategies have been determined and the long term objectives set, the strategic management process is far from complete. The strategic managers now move into a critical new phase of translating strategic thought into organizational action that is, strategy implementation stage. Annual objectives, functional strategies and specific policies provide important means of communicating what must be done to implement the overall strategy.

Generally strategy implementation may be faced with a number of challenges which may include settling on a poor strategy, having poor implementation process and failing to couple strategy development and implementation. Managers can select an inappropriate strategy which may prove to be impossible to implement. On the other hand, selected strategy may look fine but implementation procedures may be flawed hence pausing challenges in implementation. It is also important to note that if those involved in the implementation process are not involved in the strategy development stage, strategy implementation may be affected negatively.

1.1.3 Diversification Strategy Implementation and Challenges

Before an organization can successfully implement diversification of strategy, it is important for the management to ensure that pockets of disagreement and doubt are overcome / contained and that all the implementation pieces are in place. It is also important to build consensus on how to proceed and also secure cooperation and commitment of the concerned parties. The management must allocate adequate resources to strategy-critical activities and ensure that strategy supportive policies and procedures are put in place to ensure smooth running of implementation process.

There are several fundamental challenges to strategy implementation process. The overall problem is rooted fundamentally in the process of management issues of
leadership, teamwork and strategic direction and not in the commitment of people and their functional competencies. Poor quality vertical communication not only hinders strategy communication but also prevents discussions of the barriers themselves.

Majority of firms fail to execute because they do not focus resources on priorities and in majority of cases, employees have not been informed of the strategy. Another challenge is lack of management accountability. Conflicting priorities and the subsequent lack of coordination thereof will equally reduce the effectiveness of strategy implementation. Any two conflicting strategies will battle each other for the same resources leading to disharmony among the employees and if not checked, it might lead to sub optimality among the various organizational departments.

1.1.4 Energy Sector in Kenya

The energy sector in Kenya plays a very important role in the continued development of the country. It is key player in ensuring that the country achieves its vision 2030 objectives. It has many players whose roles are clearly explained in this document.

Figure 1.1: Energy Sector Players

Source: KPLC Presentation to the cabinet secretary for energy and petroleum, 27th May 2013.
The Ministry of Energy and Petroleum formulates policy on the energy sector in addition to administering the Rural Electrification Scheme. The ministry provides overall oversight, guidance and policy directions regarding policy issues. The major challenges affecting the energy sector include improving the quantity, quality and reliability of energy supply, high initial capital outlay, and high cost of energy and low levels of industrialization.

KENGEN manages and develops all public power electricity generating facilities. It sells electricity in bulk to Kenya Power and Lighting Company Limited. Kenya Electricity Generating Company Limited is the leading electric power generation company in Kenya, producing about 80 per cent of electricity consumed in the country. The company utilizes various sources to generate electricity ranging from hydro, geothermal, thermal and wind. Hydro is the leading source, with an installed capacity of 766.88 mW, which is 64.9 per cent of the company’s installed capacity. KENGEN has a workforce of 1,829 staff located at different power plants in the country. With its wealth of experience, established corporate base and a clear vision, the company intends to maintain leadership in the liberalized electric energy sub-sector in Kenya and the Eastern Africa Region.

Energy Regulatory Commission (ERC) is established under the Energy Act, 2006. Following the operationalization of the Energy Act, 2006, with effect from July 7 2007, the Electricity Regulatory Board (ERB) became Energy Regulatory Commission (ERC). ERC reviews electricity tariffs and enforces safety and environmental regulations in the power sector as well as safeguarding the interests of electricity consumers.
Rural Electrification Authority, REA implements rural electrification projects on behalf of the government. REA was established under Section 66 of the Energy Act, 2006 (No 12 of 2006) as a corporate body. It was created in order to accelerate the pace of rural electrification in the country, a function which was previously undertaken by the Ministry of Energy and Petroleum (MOE&P).

The mandate of the authority is to accelerate the pace of rural electrification in order to promote sustainable socio-economic development. Under the Energy Act, REA is mandated to undertake the following functions: Manage the rural electrification programme fund, develop and update the rural electrification master plan, promote the use of renewable energy sources including small hydros, wind, solar, biomass, geothermal, hybrid systems and oil fired components taking into account specific needs of certain areas including the potential for using electricity for irrigation and in support of off-farm income generating activities.

Kenya Electricity Transmission Company (KETRACO) is mandated to construct new transmission lines with government funding to accelerate infrastructure development. The Geothermal Development Company (GDC) is a 100% state-owned company, formed by the Government of Kenya as a special purpose vehicle to fast track the development of geothermal resources in the country. The creation of GDC was based on the government’s policy on energy – Sessional paper No. 4 of 2004, and the energy Act No.12 of 2006 - which un-bundled the key players in the electricity sector to ensure efficiency. The search for geothermal energy is not new in Kenya. It started in 1957. But this has so far yielded 209 mW only against a massive potential estimated at 7000 mW to 10,000 mW.
In Vision 2030, Kenya aspires to become a mid-income economy. To attain Vision 2030, the government’s forecast is to generate 15,000 mW, 5000 mW will come from geothermal. Today, the total effective installed capacity stands at 1533 mW. For a long time, Kenya has relied on hydroelectricity with perennial power outages forcing the government to invite emergency power producers who use diesel to generate electricity. This stop-gap measure is a two edged sword. First, it increases the cost of electricity and second, it causes massive pollution. The government has identified the country's untapped geothermal potential as the most suitable indigenous source of electricity.

GDC will drill 1400 steam wells to provide steam for the generation of 5,000 mW of geothermal power by 2030 which will be a big boost to the sector. The mandate of GDC is therefore to promote rapid development of geothermal resources in Kenya through surface exploration and drilling for steam, avail steam to power plant developers for electricity generation, and manage the geothermal reservoirs- to ensure constant supply of steam for power generation and to promote alternative uses of geothermal resources other than electricity generation.

1.1.5 Kenya Power and Lighting Company Limited

KPLC is a public limited liability company which transmits, distributes and retails electricity to customers throughout Kenya. The Company is a key player in the electricity sub sector with the mandate to purchase bulk electricity supply, generate in off-grid areas, transmit, distribute and retail electricity to end use customers throughout Kenya. It purchases power in bulk from KENGEN and the Independent Power Producers (IPP) through bilateral contracts or Power Purchase Agreements.
(PPAs) approved by Electricity Regulatory Commission (ERC). It has been listed at the Nairobi Stock Exchange since 1954.

The Company’s history dates back to 1875 when Seyyied Bargash, the then Sultan of Zanzibar, acquired a generator to light his palace and nearby streets. On 6th January, 1922, two utility companies in Mombasa and Nairobi; Mombasa Electric Power and Lighting Company and Nairobi Power and Lighting Syndicate respectively, were merged and incorporated under the Companies Act as a public limited liability company known as the East African Power and Lighting Company (EAP&L). In 1983, EAP&L was renamed Kenya Power and Lighting Company Limited (KPLC) to operate only within Kenya.

In 2011, The KPLC rebranded to Kenya Power and have its vision as “to provide world class power that delights our customers” whereas its mission is “powering people for better lives”. The Company’s core values that are being entrenched as cornerstones of the corporate culture are: Customer First, One Team, Passion, Integrity and Excellence.

The Company’s interconnected network of transmission and distribution lines covers about 41,486 kilometres with more than 2,000,000 customers. The key objectives of the company include:- achieving financial stability and sustainability, giving reasonable return to shareholders for their investment, improving transmission and distribution efficiency, improving power supply quality to exceed customer expectations, reduce cost of doing business and increase sales revenue, expanding and maintaining a robust power system infrastructure at the least cost possible and modernising operations through innovation and automation in order to enhance efficiency.
KPLC transmits and distributes power in all the 47 counties in the republic of Kenya. The majority shareholder in KPLC is the Government of Kenya and its institutions, while the rest is owned by private shareholders.

1.2 Research Problem

Diversification is a strategy that takes a company into new markets with new products or services. It is a form of growth strategy and involves a significant increase in performance objectives beyond past levels of performance. It can be seen as giving variety to or extending business activities into disparate fields or distributing investments in order to average the risk of loss. Each of these meanings provides a separate rationale for diversification, if properly applied and relevant to the situation. According to Thompson, Strickland, Gamble and Jain (2008), excellent execution of an excellent strategy is the best test of managerial excellence and the most reliable recipe for turning companies into stand-out performers.

The biggest challenge facing the energy sector in Kenya includes reducing the overall cost of electric power delivered to customers. This stems from the over-reliance of thermal generation and emergency power that point to inefficient long term planning. KPLC has faced various challenges that have negatively affected its financial status. These among others include competition from other sources of power, illegal power connections, high customer expectations and demands and vandalism. Due to these challenges, the company has implemented diversification strategy to remain relevant now and even in the future.

Various studies focused on diversification strategy, have found out that diversification may be influenced significantly by factors such as Government fiscal policy, a
country’s economic conditions, politics of the day and competition. It is also true that companies diversifying need to have definite policies on divesture. If the policies are not put in place, in the long-run, the company may not define what industry it is in, let alone its core business. This may prove to be dangerous if no caution is taken. Research on diversification has attracted many other researchers in strategic management over the years (Anyango, 2012; Musembi, 2011; Thuo 2003).

Research work done on implementation of diversification strategy so far may not necessarily apply to KPLC. This is because organizations differ in terms of structure, shareholders, environmental influence like politics and resources employed among others. Effectively there is no one universal way of strategy implementation. How has Kenya Power and Lighting Company Limited implemented its diversification strategy and what challenges has it experienced in the process of implementing this strategy?

1.3 Research Objectives

The objectives of this study were:

1) To establish how diversification strategy has been implemented at Kenya Power and Lighting Company Limited.

2) To establish the challenges experienced in implementing the diversification strategy.

1.4 Value of the Study

The study is of importance to Kenya Power and Lighting Company Limited in that it has been able to illustrate how diversification strategy has been implemented in the organization and has also identified areas of improvement.
The study has provided insight on how diversification has contributed to the performance of an organization. It remains to serve as a benchmark to other industries and companies.

This study is of great significance to academicians and practitioners in both public and private sectors by contributing to the existing body of knowledge in the area of strategic management. It also forms the foundation upon which any other related and replicated studies can be based on.

The study can assist the researchers on the practice of implementation of diversification strategy. The findings can assist the energy regulators, ERC and the Ministry of Energy and Petroleum, to come up with policies and regulations that would enhance value and contribution of energy sector players to the Kenyan economy. The study remains to reinforce the theory of Dynamic capabilities by illustrating how organizations can develop firm-specific competencies into new competencies that match their turbulent environment respectively.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter on literature review provides information from publications on topics related to the research problem. It contains information on what other scholars and authors have said about implementation of diversification strategy in organizations. The key areas in this chapter will include: the theoretical perspective of diversification strategy, diversification strategy, strategy implementation and challenges in implementation of diversification strategy.

2.2 Theoretical Perspective

The three basic theories that form the theoretical foundation of diversification play important role in understanding the basis of diversification strategy. It is therefore imperative to explore and understand these theories in order to visualize and understand the theoretical perspective of this study.

Open systems theory was developed after World War II in reaction to earlier theories of organizations, such as the human relations perspective of Elton Mayo and the administrative theories of Henri Fayol, which treated the organization largely as a self-contained entity. Although there is a great variety in the perspectives provided by open systems theories, they share the perspective that an organization’s survival is dependent upon its relationship with the environment. Environments under which organizations work change rapidly and this increases pressure on organizations to respond rapidly and much more efficiently to these changes.
It has been established for example that market imperfections are an important explanation of diversification strategy.

The resource-based view (RBV) as a basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable interchangeable and intangible and tangible resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. Barney (1991) says that firms achieve sustainable competitive advantage when resources are valuable, rare, inimitable and non-substitutable (VRIN attributes).

Resource based theory sees the firm as a collection of assets, or capabilities. In the modern economy, most of these assets and capabilities are intangible. The success of corporations is based on those of their capabilities that are distinctive. Companies with distinctive capabilities have attributes which others cannot replicate even after they realise the benefit they offer to the company which originally possesses them. Business strategy involves identifying a firm's capabilities: putting together a collection of complementary assets and capabilities, and maximising and defending the economic rents which result.

The resource perspective provides a basis for addressing some key issues in the formulation of strategy for diversified firms, such as which of the firm's current resources should diversification be based? Which resources should be developed through diversification? In what sequence and into what markets should diversification take place? And what types of firms will be desirable for this particular firm to acquire?
Strategy for a bigger firm involves striking a balance between the exploitation of existing resources and the development of new ones. In analogy to the growth-share matrix, this can be visualized in what is called a resource-product matrix.

Dynamic capabilities theory emerged as expansion or as a complement to the Resource Based View (RBV) in an attempt to explain competitive advantage in rapidly changing environment. One of the best ways to understand dynamic capabilities is through a definition based on the perceived shortcomings in the resource base view of the firm. In RBV, firms are treated as collections of resources such as assets, knowledge or relationships to other firms. However, RBV seems to have little to say about the way that resources are created, won or released. Dynamic capabilities focus more on resource development, acquisition, reconfiguration and renewal.

Dynamic capabilities can be seen as organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die. A dynamic capability is the ability of the firm to purposefully create, extend or modify its resource base so as to achieve congruence with the changing business environment. Dynamic capabilities are learned and stable patterns of behaviour through which a firm systematically generates and modifies its way of doing things, so that it can become more effective. The organizational capabilities of a firm are embedded in its organizational structure which is better adapted to certain strategies than others. Thus, strategies at any point in time are constrained by the organization. Also a significant change in a firm’s strategy is likely to call for a significant change in its organizational structure.
A proposed model of dynamic capabilities can be seen in a framework in which the firm uses its sensing capabilities to spot, interpret, and pursue opportunities that it perceives from internal and external stimuli or uses its learning capabilities to determine what organizational capabilities must be revamped, rebuilt, or reconfigured into new knowledge. A firm may also use its integrating capabilities to collectively understand and to make the necessary changes to its operational capabilities or use its coordination capabilities to implement and use the reconfigured operational capabilities or finally continue to scan external and internal stimuli.

2.3 Diversification Strategy

Porter (1987) refers to diversification as a darling of contemporary management because chief executives have been obsessed by it. Diversification is a strategy that takes a company into new markets with new products or services. Companies may choose a diversification strategy for different reasons.

Companies might wish to create and exploit economies of scope, in which the company tries to utilize its existing resources and capabilities in other markets. This can oftentimes be the case if companies have under-utilized resources or capabilities that cannot be easily disposed or closed. Using diversification strategy, companies may be able to utilize all its capabilities or resources, and be able to attract new business from market segments not catered for earlier. Managerial skills found within the company may be successfully used in other markets, where the dominant logic and managerial procedures of management can be successfully transferred to other markets.
Diversification in most cases occurs in the business levels which comprise of business level strategy and corporate level strategy. At the business unit level, there is expansion into a new segment of an industry that the business is already in. At the corporate level, the company enters into a promising business outside the scope of the existing business unit. It may force a company to acquire new skills, new techniques and new facilities. According to Johnson et al (2008) diversification strategy stands out from the other strategic options which are usually pursued with the same technical, financial and merchandising resources used for the original product line.

Diversification may be classified into various types i.e. related diversification and unrelated diversification. Related diversification happens when a business adds or expands its existing product lines or markets.

Unrelated Diversification occurs when a business adds new, or unrelated, product lines or markets. For example, the same phone company might decide to go into the television business or into the radio business. In this form of diversification, there is no direct fit with the existing business. Unrelated diversified organizations also known as conglomerates have attracted more critical scrutiny as shown by a number of arguments being raised in its favour.

Diversification typically takes either the form of vertical integration, Horizontal diversification, Conglomerate diversification (or lateral diversification) or Concentric diversification. Vertical integration is a growth strategy that involves the expansion of business by moving backward or forward from the present products or services establishing linkages of products, processes and/or distribution system. When a firm diversifies closer to the sources of raw materials in the stages of production, it is following a backward vertical integration strategy.
Backward integration allows the diversifying firm to exercise more control over the quality of the supplies being purchased. Backward integration also may be undertaken to provide a more dependable source of needed raw materials.

Forward diversification occurs when firms move closer to the consumer in terms of the production stages. Forward integration allows a manufacturing company to assure itself of an outlet for its products. Forward integration also allows a firm more control over how its products are sold and serviced. Furthermore, a company may be better able to differentiate its products from those of its competitors by forward integration. By opening its own retail outlets, a firm is often better able to control and train the personnel selling and servicing its equipment. In Kenya, the East African breweries have integrated backwards and are engaging in barley production.

Horizontal diversification occurs when a company adds new products or services that may be commercially or technologically related or unrelated to main product(s) the company is currently dealing in. It may also be seen to occur when a company enters new business at the same stage of production as its current operations. Horizontal form of diversification is desirable if the present customers are loyal to the current products and if the new products are of high quality and are sold at competitive prices. This form of diversification is advantageous in that the new products are marketed to the same economic environment as the current products. It tends to increase the firm’s dependence on certain market segments which may lead to instability.

Conglomerate diversification (or lateral diversification) occurs when a company markets new products or services that have no technological or commercial synergies with current products but that may appeal to new groups of customers. The conglomerate diversification has very little relationship with the firm's current
business. Therefore, the main reasons of adopting such a strategy are first to improve the profitability and the flexibility of the company, and secondly to get a better reception in capital markets as the company gets bigger. Even if this strategy is very risky, it could also, if successful, provide increased growth and profitability.

Finally diversification may also be classified according to geographic and/or market scope. According to Johnson & Scholes (1997), it means that a firm moves beyond its current market in terms of the geographic location. This may involve a move within the local boundaries or even beyond international boundaries.

2.4 Strategy Implementation

Strategy formulation and execution are normally top priority managerial tasks. Thompson et al. (2008) believe that a clear and reasoned strategy is a management’s prescription for doing business. It is the management’s road map to competitive advantage, its game plan for pleasing customers and achieving performance targets. A powerful strategy that delivers a home run in the marketplace can propel a firm from a trailing position into a leading one, clearing the way for its products and services to become the industry standard.

Excellent implementation of an excellent strategy is the best test of managerial excellence and the most reliable recipe for turning companies into standout performers. Implementation of strategy consists of a series of sub activities which are primarily administrative. If purpose of the strategy is determined then the resources of a company can be mobilized to accomplish its implementation.
An appropriate organizational structure is necessary for the efficient performance of the required tasks. The role that is played by personal leadership is important and is necessary for the accomplishment of the strategy.

2.5 Strategy Implementation Challenges

Crafting appropriate strategy may not be enough. Successful strategy implementation requires managers to communicate the case for organizational change clearly and persuasively to all organizational members the commitment required to carry out the strategy and meet performance targets. The management’s handling of the strategy implementation process can be considered successful if and when the company achieves the targeted strategic and financial performance and shows good progress in realizing its long range strategic vision.

According to the Mckinsey 7S Framework, there are seven internal aspects of an organization that need to be aligned if the organization is to be successful. These aspects include structure, strategy, shared values, skills, style and staff. The model is based on the theory that for an organization to perform well, these seven elements need to be aligned and be mutually reinforcing. Therefore in the process of successful strategy implementation, the model can help in understanding how the organizational elements are interrelated and so ensure that the wider impact of the change made in one area is taken into consideration. The model can therefore be instrumental in countering the challenges experienced during strategy implementation process.

For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate leadership, organizational culture, resources and reward system. Without this strategy implementation may face a lot of challenges. Bateman
and Zeithaml (1993) observed that 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. Successful strategy implementation therefore, must consider issues central to its implementation which include, matching organizational structure to strategy, creating a supportive organizational culture among other issues.

The most important thing when implementing a strategy is the top management’s commitment to the strategic implementation process itself. This is undoubtedly a prerequisite for strategy implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This commitment becomes, at the same time, a positive signal for all the affected organizational members.

The management of the organization provides direction to workers as they pursue a common mission in implementing strategies. The leaders influence their relationship with their followers in the attempt of achieving their mission. Effective leadership is very crucial during strategy execution and can be achieved through participation by all groups and individuals captured in strategic plan through freedom of choice of leaders by team members. Strategy implementation calls for efficient and effective leaders to guide the rest of the employees through the strategic plan with a lot of ease and provide solutions and explanations to unclear issues.

Even though studies point out that communication is a key success factor within strategy implementation, communicating with employees concerning issues related to the strategy implementation is frequently delayed until the changes have already crystallized. In this context, it is recommendable that an organization institutes a two-
way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. The way in which a change is presented to employees is of great influence to their acceptance. To deal with this critical situation, an integrated communications plan must be developed. Therefore, communication plans will provide the appropriate information to market the strategy implementation effectively in order to create and maintain acceptance.

Strategy can be best understood if it is viewed as an element of an organization that includes proper resource allocation. All organizations have at least four types of resources that can be used to achieve desired objectives i.e. financial resources, physical resources, human resources, and technological resources. The causes of breakdown in strategy implementation relate to the capabilities, processes and activities that are needed to bring the strategy to life. Resource allocation is a central management activity that allows for strategy execution.

The first stage of implementation of the corporate plan is to make sure that the organization has the right people on board. These include those folks with required competencies and skills that are needed to support the plan. In the months following the planning process, it is important to expand employee’s skills through training, recruitment or new hires to include and add new competencies required by the strategic plan. One of the reasons why strategy implementation processes frequently result in difficult and complex problems or even fail is the vagueness of the assignment of responsibilities.
Organizations require sufficient funds and enough time to support any strategy implementation process. True costs include realistic time commitment from staff to achieve a goal, a clear identification of expenses associated with a tactic, or unexpected cost overruns by vendors. Resource allocation is important and equitable resource allocation and sharing is an important activity that enhances strategy execution. The resources include financial, physical, human, technological and goodwill resource.

The budgetary resources should be matched with departmental operations. Effective implementation of any organization’s strategic plan depends on rational and equitable resource allocation across the organization. Proper links should be developed between the strategic plan and operational activity at departmental levels in order to necessitate proper implementation of strategies. Effective implementation of any strategic plan depends on rational and equitable resource allocation across the organization and investment.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methodology and introduces the research design used, data collection and data analysis technique applied. It also helps to highlight the sources of information for the study and how data validation and interpretation has been done.

3.2 Research Design

The research design used was case study which is an in-depth investigation of an individual, organization or phenomenon. In case studies, a researcher is able to collect in-depth information with the intention of understanding situations or phenomenon. Case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The technique enables the use of information from a representative sample of the participants. The study identified how diversification strategy has been implemented at the Kenya Power and Lighting Company Limited and the challenges encountered.

A case study design was best preferred design in this case because it fulfils the objective of this study as the results were used to evaluate the challenges of the strategy implementation at KPLC. The reason for this choice was based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena (Kitay and Callus, 1998).
3.3 Data Collection

Collection of primary data for the study was done using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents interviewed were those involved with formulation and implementation of the company’s strategies who are the top managers and chief officers in charge of various divisions in the company. They were considered to be key informants for this research. They included chief managers / chief officers in the following company divisions: Information Technology and Telecommunications, Human resources, Corporate Strategy, Communication, Distribution, Transmission, Supply chain & Logistics, Regions, Finance and the Managing Director.

The personal interview method is considered more often by researchers since it provides more qualitative information, more depth, more representation, more efficiency, more statistics, and more value. The choice of the respondents was very important, as senior executives are the head of the company and are the ones who can foster the organizational implementation of the strategy to their employees.

3.4 Data Analysis

The data obtained from the personal interviews was analysed qualitatively. Qualitative data analysis makes general statements on how categories or themes of data are related. The qualitative analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically.
In carrying out analysis of data, content analysis was used. According to Berelson (1952), content analysis is a research technique for the objective, systematic and quantitative description of manifest content of communication. Content analysis technique was used to generate and categorize items for comparison with the interview results from the various divisional managers and chief officers of the organization.

It involves observation and detailed description of objects, items or things that comprise the object of study. It was used to determine the presence of certain words, concepts, themes, phrases, characters or sentences within texts or sets of texts and to quantify this presence in an objective manner. The content analysis research tool was used to determine the extent of use of diversification strategy at KPLC.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter covers the analysis, results and discussion of primary data collected from the field. It presents the findings of the researcher about the study objectives and discussions thereof. It also presents findings and analysis of the study as was provided for in the research methodology on implementation of diversification strategy at KPLC.

The research instrument used to gather data in this study was an interview guide. The targeted respondents were chief managers / chief officers from the following company divisions/departments: Information Technology and Telecommunications, Human resources, Corporate Strategy, Communication, Distribution, Transmission, Supply chain and Logistics, Regions, Finance and the Managing Director. It was noted that those interviewed had enough experience in the company majority of them having worked with company between 15 and 25 years. The average working experience of the respondents was 20 years. Data analysis was done through content analysis as provided in the research design.

4.2 Demographic Profile of the Respondents

The research design that was used is case study, the research tool being an interview-guide which helped in establishing the department, gender, designation and the number of years the respondents had worked with the company.
The study targeted 10 respondents, however 7 chief officers were interviewed representing 70% of the targeted population of study. This is considered a good response since according to Babbie (2002) any response above 50% is adequate for analysis.

4.3 Implementation of Diversification Strategy at KPLC

The study sought to find out how diversification had been implemented in KPLC and the challenges faced in the implementation process. All the seven interviewees were in agreement that KPLC had implemented diversification as one of its corporate strategies. Diversification was also identified to be one of the key pillars of the company.

It came out clearly that apart from the core mandate of KPLC to transmit, distribute and supply electricity the company had diversified to other revenue generating activities by forming the telecommunication business unit and venturing into the consultancy industry by going into partnership with MHI to offer consulting services. This means that the company has deployed both related and unrelated types of diversification. Related diversification is as result of the company doing consultancy business in its key competency areas whereas unrelated diversification comes about with the involvement of the company in the telecommunication business which completely differs from its key mandate of transmission and distribution of electricity.

Regarding the reasons why KPLC had decided to diversify its operations, the study found out that increasing revenue streams for cash flows for the company was the most important. Other reasons advanced included: Mitigating against overdependence in one area for revenue, optimal utilization of company resources e.g. the training
school at Ruaraka and leveraging on technology and existing infrastructure of power lines across the country, assisting in benchmarking with other utilities in different countries and to tap on skills and knowledge of people leaving the company. Diversification could also be seen to assist in knowledge transfer / management and to reduce overall cost of network modernization. It was also viewed as a way of enhancing future viability of the company.

4.3.1 KPLC-MHI Utility Management and Consulting

This is a partnership between the Kenya Power and Lighting Company and Manitoba Hydro International Ltd (MHI) of Canada along with its parent company, Manitoba Hydro to provide management and consulting services to the utility market worldwide including Sub-Saharan Africa. The two companies have been able to pursue consulting businesses with the following electricity companies in different countries in the recent past: Liberia Electricity Corporation, Uganda Electricity Transmission Company Ltd, Energy, Water and Sanitation of Rwanda, Kabul Electricity Services Improvement program of Afghanistan and training artisans and technicians of UMEME (of Uganda).

Under this partnership arrangement, the scope of services offered include: Grid expansion and connectivity acceleration, Network performance improvement, network studies and improvement, minimizing energy losses and customer service and marketing. Grid expansion and connectivity acceleration targets the expansion of Transmission and distribution grids, accelerating rural electrification, management of rapid urban and peri-urban grid expansion programs, accelerating rate of new connections and customer base expansion. It also covers development of cost
effective and market friendly new connections’ policies and solutions and also establishing of one-hand and two-hand credit facility modes for new connection.

Network performance improvement covers transmission and distribution, operations and maintenance, electricity network upgrade and reinforcement, airmobile network patrol and live maintenance together with checking power quality and reliability enhancement. It also ensures establishment of modern systems for tele-control and tele-management of transmission and distribution network.

Network studies and improvement includes load flow studies, voltage drop analysis and correction, reactive power analysis rectification and offering of technical support in transformer testing, repair and maintenance including substation maintenance. On the other hand, minimising energy losses is done through reduction of commercial and technical losses, maintaining high standards of customer service and fault response times and through operational efficiency improvement and cost containment supply side management programs.

Finally consultancy on customer service and marketing involves market research including socio-economic analysis among existing customers and communities targeted for electrification. It also includes service delivery innovations and new product development geared towards customer service improvement. In addition, it covers design and implementation of demand side management programs.

The company is currently preparing a standard framework for the consultancy services. This will go a great mile in ensuring that the new business units are properly incorporated in the company structure so that there is a sense of responsibility. It is also important for the company to standardize issues regarding remuneration for
various personnel involved in the consultancy business in various countries. Plans are underway to see to it that the consultancy business is made a knowledge management unit by deploying ex-KPLC staff instead of staff working on part-time basis. The acting Managing Director, Dr Ben Chumo has constituted an innovation committee made up of staff from different backgrounds to look at the possible ways the company can come out with new innovations to assist it in its businesses.

The study established that there was initial increase in the operating costs as a result of establishing the new business units in the process of implementing the diversification strategy. The consultancy unit was seen to attract experienced personnel to get engaged for a long time thus directly affecting normal company business and also creating additional costs in terms of their remuneration. During the interviews it was established that KPLC is seen to be a junior partner with MHI but in the actual sense the company is giving more and getting less in terms of financial returns and manpower.

The involvement of KPLC in the consultancy business has increased the level of exposure of the utility company to others across the globe. It has occasioned transfer of skills and increased productivity and in the long run targets to improve the quality of KPLC retirees and institutional memory.

4.3.2 Telecommunication Business Unit (TBU)

KPLC has been duly issued with network facility provider-tier-2 licence by Communication Commission of Kenya (CCK) and the company has built fibre optics infrastructure for the transmission of long haul telecommunication traffic. The electricity transmission and distribution network provides the company infrastructure
to connect various towns, central and county governments as well as corporate companies to virtually unlimited bandwidth potential. KPLC’s fibre and conduit technology has an expected life span of more than 20 years. This ensures longevity, resiliency, unmatched flexibility and virtually limitless capacity hence a big plus over its competitors.

Telecommunication Business Unit (TBU) is KPLC’s U-Telco that is responsible for the development and leasing of fibre optics infrastructure and other related services. The company is currently leasing out its fibre optic lines at a rate of 40 dollars per kilometre to its customers. KPLC is able to provide its customers with a national infrastructure that they could not build on their own and this leaves their capital free to be invested in core service provision. The technology used is Open Ground Wire (OPGW) deployed on 132/66/33 kV transmission lines. All dielectric self-supporting (ADSS) optical cables are deployed on 33/11 kV distribution lines. The main customers of TBU are Safaricom Limited, Kenya Data Networks Limited, Jamii Telecommunication Limited, Wananchi Telecommunication Limited and Airtel Kenya.

KPLC basically does the telecommunication business through the selling of dark fibre. Dark fibre refers to unlit optical fibre. Optical fibre cable is the medium through which transmission equipment transmits data through light forms. Through the dark fibre, telecommunication companies can choose technologies of their choice without having to incur upfront capital expenditure of constructing the entire network infrastructure. The technologies to choose from include Synchronous Digital Hierarchy (SDH), Asynchronous Transfer Mode (ATM) and Ethernet of fibre channel.
The main benefits of dark fibre lie in its costs, capacity and speed of execution. The business benefits of dark fibre as provided by KPLC’s TBU are explained in the subsequent paragraphs.

Sophisticated network planning and collaboration with customer's means that the KPLC’s network is being constructed on the highest demand routes. This, together with the economies of scale realized by sharing common costs, means that KPLC often anticipates its customers' requirements and is able to provide access to a new route at short notice, often months or years in advance of what that customer could achieve on their own. The result for customers is increased revenues and improved competitive positioning.

Using KPLC’s shared fibre optic infrastructure enables customers to react rapidly to changes in their operating environment. Introduction of new products and service offerings is made easier as the network is already laid down. Customers are able to upscale or down scale their requirements far more rapidly or inexpensively than would be the case if they owned the entire transmission infrastructure.

KPLC’s business model has been designed to ensure that customers enjoy maximum flexibility in the accounting treatment of their investment in network infrastructure. The tariff model ensures that this expenditure can be treated as capital, operational or a combination of the two. With KPLC, customers can closely match their cost and revenue cycles and start billing their customers in the same month that they incur costs.

The comprehensive package of a secure, managed infrastructure with 24/7 fault monitoring, service level agreements, interfaces to major towns and accurate documentation, enables providers of telecommunications to reduce operational costs
and apply funds to activities that provide a competitive advantage. Obtaining the necessary approvals to undertake construction of infrastructure is a time consuming process. Delays are frequently encountered when multiple operators, along with other providers of utility services simultaneously plan to build infrastructure on the same routes. KPLC’s dedicated teams ensure that the time consuming process of securing right of way approvals can be short circuited and also provides an elegant solution to overstretched metro and roads authority planning agencies that have to deal with multiple applications on the same routes.

KPLC operates the largest long haul telecommunication infrastructure. With OGW technology KPLC is able to provide its customers a national infrastructure that they would not build on their own and this leaves there capital to be invested in core service provision. The company provides collocation centres where equipment space is available for rental to customers at minimum costs and complexity. A lot of training on fibre optics has been carried out within the company to build on capacity to sustain the TBU business. The company is also lobbying with the government to assist especially in acquiring the various licences necessary for the new business units. In the process of establishing the TBU business, through the use of the fibre-optic infrastructure, the company has internally gained on the telecommunication speeds. The company information systems that were initially very slow have now improved in terms of speed and this is a big boost to the company.

Having ventured in the telecommunication business, KPLC has joined forces with other telecommunication companies and seriously lobbied for stiffer penalties for vandals. Vandals have always been a big threat to KPLC installations and having stiffer penalties imposed on them when caught will go a great mile in assisting the
company minimize its losses. In order to secure funding, KPLC has done a proposal to the World Bank to finance continued laying of the fibre optic cables via its current infrastructure. This is because through the fibre optic cables laid together with the transmission and distribution lines, the company is able to monitor power lines and be quickly able to identify faults when they happen to allow for quick action to both reduce system and technical losses.

4.4 Challenges of Diversification Strategy Implementation at KPLC

The question on challenges faced by KPLC while implementing diversification strategy was posed to the interviewees. This was for the purpose of helping the organization to identify them and help it address them appropriately.

A number of challenges came out and key among them was that of incorporating the new business units into the existing company structure. The company is yet to formally constitute utility management and consultancy unit in its structure which will be very important for the successful implementation of the strategy. This has resulted into the company facing setup challenges especially getting the Human Resource division share resources. There has not been complete buy-in of the idea of diversification by the KPLC staff leaving the whole process susceptible. The study also found out that in the staffing of the new business units, sometimes staff members are deployed into the new units on part-time basis which affect the core business negatively.

It also came out clear from the interviewees that the implementation process was facing legal challenges especially when it came to the issue of licensing by relevant authorities. Getting professional indemnity bonds was a challenge and also the license
given to TBU was limited to providing “dark fibre only” meaning that the company could not do house to house connections of the fibre optic lines and competitively compete with other players in this market. Having to be regulated by two regulatory authorities is also a challenge i.e. Energy regulatory commission for power and Communication commission of Kenya for the TBU.

The interviewees also noted that because there were no proper structures, no one was willing to take responsibility in case of any short-comings. This was seen especially in the case of offering consultancy services. It was also hard to clearly distinguish the expenditures and revenues collected from diversification sources since there are no specific accounts for them hence making accountability a big issue.

The study found out that remuneration was not standardised for the personnel deployed in various countries to offer consultancy services. In cases where the company was hiring personnel outside the company there are no proper guidelines on how these staff should be remunerated. It is therefore important for the company to standardize issues regarding remuneration for various personnel involved in the consultancy business in various countries.

It also came out clearly that the company is lacking historical experience on diversification matters and this was also pausing challenges in the strategy implementation. Some of the diversification products have not been properly tested hence could fail at times making the company lose revenue.

The other challenge facing the implementation of the diversification strategy especially for TBU was the issue of vandalism especially when the vandals interfere with the transmission infrastructure that carries the fibre optic cables. Though this
may not be rampant, when it happens, customers are inconvenienced by losing communication links and on the other hand the company losing revenue in the process.

The study also established the challenge of old guards who do not want to change with technology i.e. wanting the status quo to be maintained by resisting change. This has made it difficult for the implementation of diversification strategy to run smoothly.

4.5 Discussion

4.5.1 Link to Theory

This study reinforces the theory of dynamic capabilities by showing that organizations can develop firm-specific competencies into new competencies that match their turbulent environments respectively. In this case KPLC has utilized its existing infrastructure to get into unrelated business that has seen the company increase its profits and gain value for the shareholders.

Proponents of open systems theory believe that an organization’s survival is dependent upon its relationship with the environment and the environment under which organizations work change rapidly increasing pressure on organizations to respond rapidly and much more efficiently to the changes. In relation to this, changes in the energy sector environment including competition from other sources of power, illegal power connections, high customer expectations and demands and vandalism has forced the KPLC to react by implementing diversification strategy to remain relevant now and even in the future.
As stated earlier, resource-based view (RBV) theory as a basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable interchangeable and intangible and tangible resources at the firm’s disposal. KPLC has abundant resources at its disposal including skilled human resources, training school, SCADA infrastructure that spans over the all country etc. which has helped it have a sustained competitive advantage over its competitors. Implementation of diversification strategy is one way KPLC has used to successfully utilize its abundant resources.

4.5.2 Link to Other Empirical Studies

The study carried out by Thuo (2003) on diversification strategy, a case for Nation Media group found out that companies diversifying need to have definite policies on divesture. The study concluded that if the policies are not put in place, in the long-run, the company may not even define what industry it is in, let alone its core business.

According to Musembi (2011) who studied on diversification as a strategic approach by Safaricom Limited, it was observed that diversification was adopted to take advantage of opportunities available in the market. Safaricom through market research found out that there was a big gap in the financial services and money transfer service in Kenya.

Safaricom saw this market gap and developed a mobile money transfer service to fill in the gap and hence the birth of M-pesa money transfer service. The study concluded that diversification through involvement in innovative products was key to the company’s success.
It is evident from studies carried out concerning implementation of diversification strategy in different companies that there are similarities on how companies implement the strategy. Lack of definite policies on divestiture is a challenge at KPLC and applies to other organizations too. Like Safaricom Limited, KPLC has diversified through its innovative products in TBU to increase its revenue streams.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from the previous chapter giving conclusions and recommendations on the objectives of the study. The two main objectives of the study were to find out how diversification strategy had been implemented in KPLC and also find out the challenges encountered in the implementation process.

5.2 Summary

5.2.1 Implementation of Diversification Strategy at KPLC

This study found out that diversification had been adopted and implemented by KPLC as a way of leveraging on its available assets and resources and increasing shareholder value. The study also established that diversification had positively contributed both financially and to the general well-being of the company.

It was also noted that even though the company had diversified, no clear company policies had been established to guide the process. Proper policies on diversification are important for successful implementation of the strategy. The company is however in the process of developing clear policies and guidelines for the strategy implementation.
5.2.2 Challenges of Implementing Diversification Strategy at KPLC

This study found out that the company is experiencing a number of challenges in the diversification strategy implementation. The challenges were found out to be both internal and external to the company.

The top management has already taken action towards addressing some of the noted challenges. It is important that all the challenges are addressed for the company to fully realize the benefits of implementing diversification strategy.

5.3 Conclusion

Based on this study, it can be concluded that diversification has been a critical component to the overall success of KPLC in the recent past. It has seen the company better utilize its resources (both physical and in terms of skill).

The company has implemented both related and unrelated types of diversification strategy amid a myriad of challenges which the company should thrive to address. Having these challenges addressed will see the company progress even further in terms of revenue received and increase in shareholder value. The TBU has also contributed to the growth of the economy by opening up ICT to areas around the country that were unreachable before.

5.4 Recommendations

In terms of practice of the implementation of diversification strategy, this study serves as a benchmark to other industries and companies. The study is of great significance to academicians and practitioners in both public and private sectors as it contributes to
the existing body of knowledge in the area of strategic management. It also forms the foundation upon which any other related and replicated studies can be based.

In terms of policy, the findings can assist the energy regulators, ERC and the Ministry of Energy and Petroleum, to come up with policies and regulations that will enhance value and contribution of energy sector players to the Kenyan economy. It is also a good starting point for the respective regulators to formulate ways of handling cases where one firm falls under more than one regulatory authority that are completely unrelated, in this case ERC and CCK.

The study established that KPLC has effectively adopted diversification strategy as one of its corporate strategies. However the study recommends that proper policies be put in place to govern the continued implementation of this strategy. The study recommends that the business units should be incorporated as autonomous subsidiaries and not within the existing company structure. Each business unit should independently account for its costs and returns. The study also recommends for speedy extension of the OPGW fibre optic network to all counties via the existing transmission and distribution infrastructure to further boost the telecommunication business.

The study further recommends that the company should be encouraged to have more structured partnerships with strategic relationships with other utility companies worldwide to enhance the consultancy business and gain more exposure to the rest of the world. However, the future partnerships should see to it that KPLC has an upper hand in the relationship and that the outlay of resources in the partnership is balanced. It is also important that a strategic plan be put in place for the continued implementation of diversification strategy in the company.
It was established that generally gains from the consultancy business was seen to be more skewed towards benefitting individual staff members than the company. This should be checked to ensure that a balance is struck between gains to the individual employees and to the company.

Finally the study recommends that the company explores further other associated services that come with fibre e.g. data centres and collocation services to further expand the business. The company should also look forward to getting licences that will see it provide fibre to the homesteads because this is where the bulk of the money is.

5.5 Limitations of the Study

Despite of the success in carrying out the study, the researcher would like to mention that there were limitations experienced here and there during the overall process. Key among them was the limited time and busy schedules of the interviewees. Not all the interviewees were interviewed as planned due to their busy schedules.

There was also the limitation of interviewees not disclosing some details on some of the questions asked. This came out as a challenge since some answers did not come out clearly as expected.

5.6 Suggestions for Further Studies

This was a case study on KPLC as a monopoly utility company and the study found out that the company has successfully diversified. However similar studies have not been done on other government based monopoly utility institutions.
It is important to note that similar studies could be carried out in such institutions that have diversified to find out the successes or failures of diversification strategy implementation in order to come out with a generalised understanding of diversification strategy implementation in such institutions. It is also important to note that the study used a small sample size of 10 but would like to suggest that in future similar studies should use larger sample sizes for more detailed, accurate and better results.
REFERENCES


Crafting And Executing Strategy. New Delhi: Tata Mcgraw-Hill.


APPENDICES

Appendix I

TO WHOM IT MAY CONCERN

The bearer of this letter ..........................

Registration No ......................... D6116679212010

Is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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 your assistance to enable him/her collect data in your organization.

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.

[Stamp]

[Name]

MBA ADMINISTRATOR
SCHOOL OF BUSINESS
Appendix II

Introductory Letter

Joseph Otieno Ombaka
P.O Box 16849-00100
NAIROBI
2nd September 2013

Dear Sir/Madam

RE: REQUEST FOR RESEARCH DATA

I am a student pursuing a Master of Business Administration degree of the University of Nairobi. I am carrying out a research project in partial fulfilment of the requirements of the degree. My research topic is on the implementation of diversification strategy at Kenya Power and Lighting Company Limited.

I therefore request for assistance in answering the questions in the interview guide that accompanies this letter. The information obtained is for academic purposes only and will be strictly confidential.

A copy of the final project will be available to you on request.

Thank you for your support.

Yours faithfully,

Joseph Otieno Ombaka
Appendix III

Letter of authorization

TO WHOM IT MAY CONCERN

RESEARCH APPROVAL

Reference is made to the subject matter mentioned above.

Kindly allow Joseph Omilaka, an MBA student at University of Nairobi and also a Kenya Power staff to carry out a research project in the Company on “Implementation of Diversification Strategy in Kenya Power & Lighting Company Ltd.”

This authority notwithstanding, discretion must be exercised in the use of company information including business strategies and policy documents.

The Research Project should also not disrupt normal working hours and Company's flow of work.

Yours faithfully,
For KENYA POWER & LIGHTING CO. LTD.

AGUSTINE AMBOKA
For: HUMAN RESOURCE DEVELOPMENT MANAGER

5th September 2013
Appendix IV

Interview guide

1. Gender: Male ( ) or Female ( )
2. Which Department do you work in?
3. What is your Designation?
4. How many years have you been in employment with Kenya Power and Lighting Company Limited?
5. Has KPLC implemented diversification as one of its corporate strategies?
6. If yes, how has diversification strategy been implemented at KPLC?
7. What are the main reasons for KPLC to adopt diversification as a strategic approach?
8. What challenges has KPLC experienced in the implementation of its diversification strategy?
9. How is KPLC managing the above mentioned challenges?
10. What are the organizational effects of implementing diversification strategy?
11. What are the other key benefits of diversification as experienced by KPLC?
12. What recommendations would you make to KPLC regarding implementation of its diversification strategy?