

**STRUCTURAL IMPLICATIONS IN STRATEGY IMPLEMENTATION AT THE
KENYA PORTS AUTHORITY**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

OCTOBER, 2013

DECLARATION

This management research project is my original work and has not been presented for a degree in this university or any other university.

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This management research project has been submitted for examination with my approval as University Supervisor

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ACKNOWLEDGEMENTS

I am very grateful to all those who inspired me and contributed to my success throughout my MBA programme. I would especially want to recognize the contribution of my parents who tirelessly supported and encouraged me throughout the entire course.

My sincere gratitude goes to my supervisor, Dr Jackson K Maalu for his guidance and assistance that contributed to the completion of this project. His contribution and support is invaluable. I also would like to thank my wife Anne Kitao for her great encouragement and support during the writing of this project report. Special thanks go to my friends, Eric Katana, Kassim Kaema, Michael M Disi, Edger Kulundu, Caroline Ndunda, Esther Karanja and Wahida Sketty for their never ending support and encouragement.

I am also thankful to the Management and Employees of Kenya Ports Authority for allowing me to collect data from the organization without which I would not have completed this research.

Finally, I thank the Almighty God for it was by His grace that I made it this far.

DEDICATION

I wish to dedicate this project to my family for the psychological and spiritual support that largely contributed to the successful conduct of this study to completion. I am particularly thankful to my wife Anne Kitao for the moral support that saw me through the challenges faced while undertaking my MBA degree course.

ABSTRACT

Dynamic environments characterized by technological, economic, and political change increasingly requires organizational agility among Kenya's public organizations. Perhaps a primary indicator of this need is the growing customer demands and increased use of management tools like strategic planning, total quality management, and reengineering that assist administrators in creating strategic, long-term, and outcome-oriented approaches to problem solving. While these management tools are useful, and in most circumstances appropriate to effectively manage an agency, administrative management literature points to the importance of organizational structure as a powerful force influencing agency behaviors. The organizational structure is a key and crucial link between the organization and its strategic implementation endeavors. The maritime sector and KPA in particular is not an exception to this regard. This sector offers employment both directly and indirectly to a vast majority of residents in the entire eastern and central African region. The increasing significance of strategy structure implications in the organization is of paramount importance to the performance of any organization. The overall objective of the study was to determine the structural implications in strategy implementation at the Kenya Ports Authority. This study was guided by various theoretical reviews. This was a case study research. The study used primary data which was collected using an interview guide. Content analysis was used to analyze the qualitative data obtained. The study found out that the organization structure directly affects strategy implementation. The need to reduce business operation costs and maximize on human resources were among the driving factors for strategy implementation at KPA. The implications of an efficient organization structure means that there is proper communication in the organization, increased staff morale and more efficient work force. In light of the findings, the study recommends that since KPA has successfully restructured its organization, there is need to focus on change management issues, proper organizational communication and adequate strategic planning. Strategic organizational restructuring at KPA has enabled the organization to redesign and improve business work processes radically but there is still need for initiatives that emphasize incremental improvement in the whole strategic management process and output to cope with changes in the ever changing business environment.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENTS	iii
DEDICATION	iv
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Research Problem	9
1.3 Research Objectives	10
1.4 Value of the Study	11
CHAPTER TWO: LITERATURE REVIEW	12
2.1 Introduction	12
2.2 Theoretical Review	12
2.3 Organizational Strategy and Structure	14
2.4 Empirical Review and Research Gaps	17
CHAPTER THREE: RESEARCH METHODOLOGY	20
3.1 Introduction	20
3.2 Research Design	20
3.3 Data Collection	20
3.4 Data Analysis	20
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	22
4.1 Introduction	22
4.2 Background Information	22
4.3 STRATEGY AND STRUCTURAL IMPLICATIONS	22
4.3.1 Factors affecting Implementation of Strategy at KPA	22
4.3.2 Structure and Strategy	23
4.3.3 Strategy Implementation	25
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	27
5.0 Introduction	27
5.1 Summary	27
5.2 Conclusion	28
5.3 Recommendations	28
5.4 Suggestions for further research	29
5.5 Limitations of the study	30
REFERENCES	31
APPENDICES	34
Appendix I Letter of Introduction	35
Appendix II Interview Guide	36
Appendix III: Kenya Ports Authority Organizational Structure	37

LIST ABBREVIATIONS AND ACRONYMS

ICD	Inland Container Deport
KMA	Kenya Maritime Authority
KPA	Kenya Ports Authority
M-Form	Multi-divisional Form
RBV	Resource Based View
VRIN	Valuable, Rare, In-imitable and Non-substitutable
PMAESA	Port Management Association of Eastern and Southern Africa

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy is a central concern practically for any organization these days. In situations where the organization's environment is changing, the organization itself is faced with a need to change. Even in relatively stable environments an organization is bound to be faced with continuous choices to be made. It should be self-evident that every possible choice made or all change is not for good. Organizational choices should reflect a direction that will ensure the organization's success or at least survival.

In order to implement strategy effectively, it is crucial to consider several organizational issues which include the structure, leadership style, resource allocation and culture. According to Chandler (1962), structure is the design of the organization through which strategy is administered. Sometimes, change in the organization strategy leads to new administrative problems which in turn require a new or re-fashioned structure for the successful implementation of new strategy. Organizational structure has to align with organization strategies and must integrate strategy formulation and implementation.

Strategy affects structure, and the choice of structure affects efficiency and effectiveness. An organization and its structure vary from company to company. Depending upon the objectives, an organization can be structured in different ways. The structure of an organization determines the way in which it operates and performs. There is need for proper organizational strategic planning in order to maximize the potential of strategy and structure (Thompson & Strickland, 2003).

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people (Chandler, 1962). Organizations, whether for profit or non-profit, private or public have had it necessary in the recent years to engage in strategic management in order to achieve their corporate goals. The environments in which these organizations operate have constantly been changing and very unpredictable. These organizations have

to think strategically and come up with strategies that will cope with these changing environments. Johnson and Scholes (2002) observes that understanding the strategic position of an organization and considering the strategic choices open to it is of little value unless the strategies managers wish to follow can be turned into organizational action.

Propositions emerge that describe how the characteristics of an organizations strategic decisions process are affected by its structure. For many years authors have suggested that the relationship between organizational strategy and structure is reciprocal. Only recently has there been wide spread agreement that structure can have a profound impact on the strategic decision making process, (Bergsman 1983; Fahary, 1981). A variety of strategic process and structural variables have been used in describing isolated aspects of this relationship and competing explanations have been provided. Assuming a perspective that is in sharp contrast, both "structure follows strategy" view and work regarding the effect that environment and other variables may have on structure (Chandler, 1962).

The classical school of business development supposed that rationality in structure and process were attained by a theory that defined "one best way of doing things" (Kanigel, 1999). The theory was based on four pillars; division of labour, scalar and functional processes, structure and span of control Thomson (1967). Modern business development places more emphasis on strategy that aims to delight customers, processes that lead to the ultimate efficiency and infinitely flat organizational structures to manage. Organizational theory is rich in the research of strategic management with specific interest in analysis, objective setting and the effect of organizational structure. Strategies do not fail when they are being analyzed or when the objectives are being set but they fail during implementation and more particularly, due to the lack of proper project management.

1.1.1 The Concept of Strategy

Strategic management is viewed as the set of decisions and actions that result in the formulation, implementation and control of plans designed to achieve an organization's vision, mission, strategy and strategic objectives within the business environment in which it operates (Pearce & Robinson, 2007). Strategy implementation is an integral component of the strategic management process and is viewed as the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy and strategic objectives of the organization are successfully achieved as planned (Thompson & Strickland, 2003).

Strategy is intimately connected with organizational choices and change. Therefore since a firm's long-run adaptation is realized through a series of strategic behaviors and organizational innovations, organizational capability to design effective strategic behaviors and organizational structures is critical for a firm's growth and survival (Chandler, 1990). Different situations call for different strategies. The organizational context: its internal and external environment may affect the content and the process of strategy. The sustainable survival of a business is difficult to achieve without the ability to implement effective strategies for dynamic business environments (Hitt, Ireland and Hoskisson, 2005).

1.1.2 Organizational Structure Concept

An organization's structure is a means to help management achieve its objectives and because objectives are derived from the organization's overall strategy, it's only logical that strategy and structure should be linked. More specifically structure follow strategy. If management makes a significant change in its organizations strategy the structure will need to be modified to accommodate and support this change (Robbins, Judge and Campbell, 2010).

Some structure is necessary to make possible the effective performance of key activities and to support the efforts of staff. Structures provide the framework of an organization

and its pattern of management. It is by means of structure that the purpose and work of the organization are carried out. Heller (1996) points out that no amount of reorganizing and reshuffling will increase the long-term capability of a business unless you suit the organization to the people and to a genuinely shared goal.

Organizational structure is the skeleton of an organization. It is an expression of who is performing the various functions and tasks of a company and how these people relate to one another. Organizational structure encompasses a list of the various job positions, titles and duties of a business, and the reporting structure or chain of command among them. Structure is a statement of the current state of affairs, not the ideals, intentions or betterment of an organization.

The purpose of structure is the division of work among members of the organization and the coordination of their activities so they are directed towards the goals and objectives of the organization. Structure is the pattern of relationships among positions in the organization. Structure makes possible the application of the process of management and creates a framework of order and command, through which the activities of the organization can be planned, organized, directed and controlled (Galbraith, 2002). The structure defines tasks and responsibilities, work roles and relationships and channels of communications (Jones, 2004). Structure is clearly important in any organization, whatever its size. Structure is still surprisingly informative about strategic priorities and the work going on (Burkinshaw, 1977).

1.1.3 Strategy Implementation and Structure

The formal structure of an organization describes how job tasks are finally divided, grouped and coordinated. Simply an organizational structure is a plan that shows the organization of work and the systematic arrangement of work. It determines the hierarchy and the reporting structure in the organization. There are six elements that the manager needs to address when they design their organization structure; work specialization, departmentalization, chain of command, span of control, centralization and decentralization and formalization (Child et al, 2001).

There has been increased pressure to perform and invest in business growth and even higher pressure to uplift customer service and product quality, which in total have demanded attention on delivery of expectation from different stake holders. Inevitably these caused changes in structures as well as changes in performance. According to (Aosa, 1992) there are some cases where strategy and structure are independent. This follows the axiom “it is far effective to choose a design that works well, and then develop a strategic system to tune the structure to the strategy” (Kaplan et al, 2006). Donaldson (1989) observed structural lags and wondered how some firms are able to get away with long delays in adjusting to strategies.

An organization does not exist independently but is open to, and in continual interaction with, the broader external environment of which it is part. The pervasive nature of culture in terms of both external influences and how things are done and common values, beliefs and attitudes will have a significant effect on organizational process including the design. Watson (1989) suggested that we must be careful not to treat structures or cultures as if they were solid things that exist separately from the process and relationships that the two concepts are intended to help us make sense of. Societal structures both contribute to and result from organizational structures. Many of the processes and practices we observe in an organization could as readily be said to be part of the structure of the organization as part of its culture (Watson, 1989).

According to Drucker (1989), it is the correct design of structure that is of most significance in determining organizational performance. Good organization structure does not by itself produce good performance but a poor organization structure makes good performance impossible, improving organization structure will therefore improve performance.

A basic structure distributes responsibilities among the members of a company. Its purpose is to contribute to the successful implementation of objectives by allocating

people and resources to necessary tasks and designing responsibility and authority for their control and coordination, (Child, 2005).

Getting the structure right is the first step in organizational relationship between organizational structure and corporate strategy although the nature of this relationship and whether structure follows strategy or strategy follows structure is subject to debate (Lynch, 2003). The most immediate and accessible way to describe any formal organization is to outline its structure, (Rosenfield and Wilson, 1999).

Indeed, modern organizations have built flexible structures which whenever possible encourage teamwork and conform to the speedily changing turbulent environment. The first task of an organization's leadership, therefore, is to choose the appropriate strategic approach in light of the challenges the organization faces. There are three factors that determine the right strategic approach: the structural approach in which the organization operates; its resources and capabilities; and its strategic mind-set. When the structural conditions of an industry or environment are attractive and the organization has the resources and capabilities to carve out a viable competitive position, the structuralist approach is likely to produce good returns. Even in a not so attractive industry, the structuralist can work well if a company has the resources and capabilities to beat out the competition (Kim and Mauborgue, 2009).

Every organization has a unique structure; an organizational structure is the reflection of company's past history, reporting relationships and internal policies. Matching structure to strategy involves making strategy critical activities the main building blocks in the organizations' structure. Implementing a new strategy often required new resources and skills for new activities. An organization cannot afford a mismatch between its strategy and structure, since a mismatch will lead to poor strategy implementation. Just as an organizations strategy needs to change with changing external environment, so must the strategy change for proper strategy implementation. If the organizations existing structure needs to be radically changed for successfully strategy implementation then the organization may need to rethink its strategy. There is no perfect or ideal organizational

structure. The bottom line is once a strategy has been chosen; the structure must be modified to fit the strategy (Hitt, Ireland and Hoskisson, 2005).

The need to restructure arises from a strategic shift driven by new technologies and market changes, (Woodward, 1965). Chandler (1962) defined structure as the design of the organization through which strategy is administered. Changes in organization strategy led to new administrative problems which in turn required a new or refashioned structure for the successful implementation of the new strategy.

1.1.4 The Maritime Industry

The global economic changes over the past two decades have presented the maritime industry with a paradigm shift in many facets of its conventional operations. Those companies in this industry that fail to embrace these new paradigms will be engulfed by their ineffective and inefficient traditional methods. Peder and Farrag (2010) in their global focus on Business, Sustainability and Responsibility, (BSR), predict that in the next five to seven years, market, stakeholder, customer, and regulatory pressures related to sustainability will drive significant changes in the way international shipping lines operate and do business. These will demand a bigger focus on routing to the emerging economies, rise in the costs of energy, cutting carbon emissions and adapting to climate change, maritime piracy and related costs, as well as the stakeholders increasing demand for environmental sustainability and corporate social responsibility.

Structural implications in organizations operating in this industry directly contribute to the organizational performance of any company. Bhattacharya, (2006) states that for a business firm to be able to sustain its business operations and meet its goals and objectives it must manage its organizational structure so as to maximize on the potential of strategy. The maritime industry in Kenya is not an exception to this regard.

The maritime industry is one of the major driving forces behind the Kenyan economy, providing direct and indirect employment. Its liberalization has also enticed further

presence of foreign owned liners, many stretching and redirecting their routes to more lucrative destinations.

1.1.5 The Kenya Ports Authority

Kenya Ports Authority (KPA) is a statutory body under the Ministry of Transport and Infrastructure. It was established by an Act of Parliament on 20th January 1978 with the mandate to maintain, operate, improve and regulate all scheduled seaports situated along Kenya's coastline (KPA, 2008). The Authority is responsible for the operation and management of the port of Mombasa, other small seaports, Inland Container Depots at Nairobi, Inland Container Depots at Kisumu, and a liaison office in Kampala that caters for all transit countries.

The authority value statement entails customer focus, integrity, teamwork and social responsibility. The Kenya Ports Authority has seven management divisions headed by head of divisions. These heads are ranked as General Managers. These seven divisions are Finance, Operations, Human Resources & Administration, Corporate Services, Infrastructure services, Engineering services & Legal Services. However it is supported by 28 departments headed by head of departments. These are, Human resources services, Medical services, Administration services, Employee relations, Bandari college, Financial accounting, Management accounting, Procurement, Corporate development, Corporate affairs, Information technology, Marketing, Conventional cargo, Marine operations, Inland container depots, Container operations, Civil engineering, Port electrical engineering, Project development and management, Container terminal engineering, Conventional cargo engineering, Marine engineering, Ethics and integrity, Contracts and conveyance, Litigation and disputes and Insurance and claims (Ndua, 2011).

The size of KPA as an organization and its contribution to the economy of the country requires it to have a structure that will enhance and make strategy implementation fast and efficient. In 2004, KPA Management together with the Board of Directors

developed a strategic plan that was to ensure that there was consistent development of the Port of Mombasa. The key result areas were modernization of the Port Handling facilities, technological innovations, restructuring of the port and commercialization of the port services to increase business efficiency, volumes and employment creation.

1.2 Research Problem

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work, implementing it throughout the organization, is even more difficult. The best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented and linked to the organizational structure. Strategy implementation has become the most significant management challenge which all kinds of corporations face at the moment. There are many soft, hard and mixed factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control.

Congestion at the port of Mombasa has added to the urgent need of liberalization and restructuring in order to provide faster, efficient and reliable services of goods and services to our local, regional and global customers and consumers. This has called for an efficient organizational structure that enhances strategy formulation and implementation at KPA in order to deliver the high stakeholder expectation.

Strategic reforms should be adopted in the maritime transport industry to reflect the global direction of restructuring. The continuing reforms will precipitate the strategic changes with accompanying or together with changes in organizational structures, processes and boundaries and relationships all directly affecting the organization structures with their own challenges on implementation of and accomplishment of business performance. It is interesting to know how leaders of organizations strive to implement strategies that are necessary to achieve desired outcomes since companies do not find difficulty with formulation of a strategy, the difficulty comes with

implementation as it is not easy to implement a strategy. As a consequence organizational strategy change has caused KPA to develop its internal capabilities to be able to take advantage of environmental opportunities.

Previous research has been done on strategic implementation. Sanga (2012) conducted a study on strategy implementation at the Kenya Maritime Authority and concluded that strategy implementation at KMA was faced by many challenges which directly related to the reporting hierarchy and structure of the organization. A study by (Flood, Marm and Young, 2010) in aligning organizational structure with strategy in the US Naval University concluded that for the success of any organizational strategy, it must be properly aligned to its structure. Tai (2007) conducted a study on strategy implementation at the Kenya Ports Authority and found out that there exists major barriers including how the structure of the organization is designed and also there was lack of communication between the management and staff on the implementation of strategy.

It is against this backdrop that the researcher wishes to study on the structural implication on strategy implementation at the Kenya Ports Authority. To the best of the researcher's knowledge there is no known study that has focused on the role organization structure design and strategy implementation at KPA. This study therefore seeks to answer the following question, what is the implication of strategy implementation on organizational structure at KPA?

1.3 Research Objectives

The study will be guided by the following research objectives;

- i. Determine the structural implications in strategy implementation at the Kenya Ports Authority
- ii. Establish the factors influencing the relationship between structure and strategy implementation.

1.4 Value of the Study

This study will provide an insight to strategic management practitioners on the structural implications and their relationship with organizational strategy. It will also provide vital information to business firms particularly in the maritime industry on how best to maximize on the usage of strategy and structure practices. By gaining understanding of the most crucial strategy-structure practices applicable to their companies, organizations will have to organize themselves in a way that ensures success. With knowing such factors, organizations will be able to better prepare for any new challenges and thus operate successfully and be able to compete in the global market.

This study will act as a reference point to other researchers in the same field as it is directly linked to the current interest in sustainable strategic management practices in both the private and public sector.

The study will also be useful to academicians and scholars wishing to use it as a source of reference, or carry out further research as it contributes to existing literature in the strategy implementation, and restructuring processes. Policy makers will obtain knowledge of the best organizational structures that are suitable and design appropriate policies that will regulate the maritime sector in terms of strategy implementation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature and various theories which constitutes and informs the study. The theories reviewed include the contingency theory and the resource based model while the literature focuses on the link between organizational structure and strategy implementation.

2.2 Theoretical Review

The study will review the contingency theory and its relationship to organizational structure, and the resource based theory.

2.2.1 Contingency and Organizational Structure

Contingency theory research into organizational structure shows an association between contingency and structure. These associations are sometimes presented as cross-tabulations Woodward (1965) and at other times as correlations (Holdaway, Newberry and Heron, 1975).

Such correlations are seen for the size contingency and various aspects of bureaucratic structure (Child 1973). They are seen as strategy contingency and divisional structure (Al-Bazzaz, 1980). They are seen also for technology and structure. Thus there is commonality across the diverse contingencies of organizational structure in that, despite differences in contingencies and their corresponding structural aspects, the contingency theories postulate theoretically an association between contingency and organizational structure.

2.2.2 Resource - Based View Model

Proponents of the resource - based view argue that it is not the environment but the resources of the organization, which form the foundation of the firm's strategy (Feurer and Chaharbaghi, 2007). The origins of the resource-based view can be traced back to

several authors but (Wernerfelt, 1984) defined its fundamental principle by stating that, the basis of a competitive advantage of an organization lies in the application of the bundle of valuable resources at the organization's disposal. Barney (1991) asserts that, to achieve a competitive advantage the resources should be heterogeneous and not perfectly mobile. The resources also have to fulfill the VRIN criteria of being Valuable, Rare, In-imitable and Non-substitutable in order to achieve a sustainable advantage.

However this theory of Barney (1992) received the criticism that these criteria are individually necessary but are not sufficient conditions for a sustained competitive advantage (Priem and Butler 2001). Further criticism made was that it is perhaps difficult to find a resource which satisfies Barney's entire VRIN criterion and it ignores external factors including Porter's Industry Structure analysis (Priem and Butler 2001a). Dierickx and Cool (1989) also argued that purchasable assets cannot be sources of sustained competitive advantage as they can be purchased by competitors as well. Hoopes, Madsen and Walker (2003) argue that the concept 'rare' is obsolete because if the other criteria: valuable, inimitable and non -substitutability exist, then they make the resource rare anyway.

Hitt et al (2005) describe resources in terms of three categories: "physical, human and organizational capital which includes capital equipment, the skills of individual employees, patents, finances and talented managers". The resource alone may not form a competitive advantage but when the set of resources perform tasks in an integrative manner then they form the organization's capability. According to Hitt et al (2005) an organization's unique resources and capabilities provide the basis for a strategy, and they note that resources and capabilities become core competencies which in turn serve as competitive advantage for an organization over its rivals if they are continuously developed.

2.3 Organizational Strategy and Structure

In strategy-structure relationship, Chandler (1962) suggests that the organizational structure has been influenced by its strategies (structure follows strategy). To distinguish between strategy and structure, setting long and short-term goals, finding the path to obtain goals and allocating resources are the strategy components and the formation of these elements to implementing strategies is called structure. So structure consists of corporate hierarchy, division of labor, delegating and communications. Besides initial information and organization's current issues are included.

An organization's structure is a means to help management achieve its objectives. The structure of an organization has been defined simply as the sum total of the ways in which it divides its labour into distinct tasks and then achieves coordination between them (Mintzberg, 1994). Because objectives are derived from the organizations overall strategy, it is only logical that strategy and structure should be closely linked. More specifically structure should follow strategy. A structure provides a framework of an organization and its patterns of management in addition to management styles Mullins (2005). If management makes a significant change in its organizations strategy the structure will need to be modified to accommodate and support this change Chandler (1962). There is considerable evidence to support the idea that an organizations size significantly affects its structure (Blau et al, 1971).

Successful organizations have a solid organizational structure and design than non successful ones. Organizational structure is the process of building a team of highly talented, professional, ambitious and enthusiastic individuals to achieve set goals and targets. Effective employee management and business expansion are the main reasons for the necessity of a systematic organizational structure and design. The framework for organizational design is the foundation on which a company bases its design choices (Galbraith, 2002).

Several types of organizational structures are available for a company to adopt.

Organizational goals are achieved when the organizational skills and capabilities are controlled through structure (Jones, 2004). It's rare to come across leaders who advocate wholesale organizational redesign or use it as a way to support their people and business. When organizational strategy changes, structures, roles, and functions should be realigned with the new objectives.

It is also a pity since structure dictates the relationship of roles in an organization, and therefore, how people function. An outdated structure can result in unnecessary ambiguity and confusion and often a lack of accountability. Poor organizational design and structure results in a bewildering morass of contradictions: confusion within roles, a lack of co-ordination among functions, failure to share ideas, and slow decision-making bring managers unnecessary complexity, stress, and conflict (Lundy and Cowling, 1996). Organizational structure and design help companies to understand themselves and ideally to work together to accomplish all the tasks and achieve all the goals of an organization (Heller, 1996). Often when a company is small and starting up, it neglects both of these concepts while it figures out its identity, tasks, functions and all of the things organizational structure and design help put in order.

Design in an organization is much the same as for buildings, clothing and vehicles -- it's a plan. When a company's leaders develop plans for how their company should function or would perform better, they undertake the business of organizational design. Good design takes inventory of all the tasks, functions and goals of a business, and then develops groupings and orderings of job positions; departments and individuals to best and most efficiently achieve those ends.

Businesses are living, breathing entities. Even when an organizational design becomes a reality, the resulting organizational structure is not likely a permanent solution to a company's needs. Eventually, growth, decline, changes in how a company does business or in its business environment make organizational structures obsolete. As a result, organizations undertake redesigns, sometimes called restructuring (Hackman and Oldham 1976).

2.3.1 Environment and Structure Relationship

An organizations environment is composed of institutions or forces outside the organization that potentially affect the organization performance. These are suppliers, competitors, government regulatory agencies and public pressure groups. An organizations structure is affected by its environment because of environmental uncertainty. Some organizations face relatively static environments because few forces in their environment are changing. There are, for examples, no new technological breakthrough by current competitors, or little activity by public pressure groups to influence the organization. Other organizations face very dynamic environments, rapidly changing government regulations affecting their business, new competitors, difficulties in acquiring raw materials, and continually changing product preferences by customers. Environmental uncertainty is a threat to organizations effectiveness; hence management will try to minimize it. One way to reduce environmental uncertainty is through adjustments in the organization structure (Emery, Trist; 1965). Recent research has helped classify what is meant by environmental uncertainty. It has been found that there are three key dimensions to any organizations environment, capacity, volatility and complexity (Des, Beard; 1984).

The capacity of an environment refers to the degree to which it can support growth. Rich and growing environments generate excess resources, which can buffer the organization in times of relative scarcity. Abundant capacity, for example leaves room for an organization to make mistakes, while scarce capacity does not.

The degree of instability in an environment is captured in the volatility dimension. When there is a high degree of unpredictable change, the environment is dynamic. This makes it difficult for management to predict accurately the probabilities associated with various decision alternatives. At the other extreme is a stable environment.

The degree of environmental uncertainty relates to different structural arrangements. The more scarce dynamic and complex the environment, the more organic a structure should be. The more abundant, stable and simple the environment, the more the mechanistic

structure will be preferred. People do not select employers randomly, individuals are attracted to, selected by and stay with organizations that suit their personal characteristics (Schneider; 1987)

External environment, market or structuring and restructuring are a continual process in the life of many work organizations (Cole, 1995). The criterion of the appropriateness of an organizational structure must be the extent to which it furthers the objectives of the firm, not the degree to which it conforms to a proscribed pattern. There can be no best way of organizing a business than a good structure (Woodward, 1995).

2.4 Empirical Review and Research Gaps

Research on strategy –structure which started with Chandler’s (1962) monumental work viewing structure as a policy shifted and got obsessed with the M-form and diversification and did not look at other structural configurations, with changes in strategies as time passed by. This obsession led to structure being viewed more conservatively than what Chandler had defined (Goold and Luchs 1993), resulting in structure being viewed as a proxy for implementation. With waning interest, due to increasingly diverse topics holding researchers interest, structure was treated as peripheral construct as part of studies on change, culture or control. Research on structure then graduated to finding out how structures are created and adapted. Thus structure was treated as an instrument in practice (Whittington, 2002).

Structures are essential part of strategy implementation (Whittington, 2002). Empirical studies of the strategy –structure-performance have given unclear or equivocal results. These studies have focused on the formal structure in organizations for e.g. Hoskisson (1989) showed that relation between unrelated diversification and M-form of organizational structure is positive while it is negative for vertical integration strategies and equivocal for related diversification.

It was Khandwala (1973) who showed that congruence between structure, processes and systems is more important for performance (sufficient condition) than organizational fit

with environment (necessary condition) and reinforced in the study by Miles and Snow(1978), where organizations following successful prospector strategies were found to have organic organizational forms. The study by Miller (1986) was the first to emphasize the configurationally elements when he showed that it is essential to have congruence between strategy-structure and other systems which was reinforced by Pettigrew et al (2002) who viewed the elements to represent complementariness. Organizations need to be configured as a whole and not treat structural elements as isolated factors. The role of managers in achieving this configurationally congruence is due to the fact that managers are the first to notice salient differences in organizational performance; can also anticipate changes; strategize and plan structural changes and finally implement these changes.

Porter (1980) emphasizes that strategy-structure alignment is strategy-driven and performance-oriented. It begins with a reaffirmation (and sometimes recalibration) of business strategy, explores the implications of that strategy for organizational structure, considers changing conditions in the environment, and through diagnosis identifies organizational problems and performance gaps. The importance of organization-environment relations for strategy making has always been a primary concern for strategy scholars.

Many studies have emphasized the importance of assessing the environment for opportunities and threats and for positioning the firm in its environment (e.g., Ansoff, 1965; Andrews, 1971; Porter, 1980). Others have focused more directly on the environment as a central actor for strategy making (Mintzberg et al., 1998). The vast majority of research, however, still focuses on the different roles of executives and organizational members in strategy formation – distinguishing between “commanders” (Bourgeois and Brodwin, 1984) or “sponsors” (Mintzberg, 1978) of top management and “good soldiers” (Guth and MacMillan, 1986) or “entrepreneurs” (Burgelman, 2002) at the operational level (Hart and Bandbury, 1994).

However from the literature reviewed, there exist a gap especially in the studies on how strategy implementation affects the organizational structure and performance. The role of managers in strategy implementation has to be taken into consideration in these studies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter dealt with an account of the methods applied in carrying out the research study. It was organized under the following sections: research design, data collection and data analysis.

3.2 Research Design

The research was undertaken using a case study approach. It was a case study of the Kenya Ports Authority and targeted qualitative organizational data. Case studies try to pull together a wide variety of issues about the defined case, then present the information as a unified whole. Case studies emphasize on detailed contextual analysis of a limited number of events or conditions and their relationships. This enabled the researcher to probe and make in-depth understanding and draw conclusions.

3.3 Data Collection

Primary data was used for this study. An interview guide was used to collect organizational factors and was administered to three key purposely selected respondents because of their level of involvement in strategic management issues in the organization which is directly related to the organizational structure.

The interview guide was selected as it gives an opportunity for the researcher to stimulate response to a greater extent given that the target population comprised of the personnel who are well versed with structural implications in strategy implementation at the Kenya Ports Authority.

3.4 Data Analysis

Since the organizational data collected was qualitative in nature, content analysis was used to analyze the collected data. Content analysis determines the presence of certain words or concepts within texts or sets of texts. The researcher used this technique to

quantify and analyze the presence, meanings and relationships of such words and concepts, then made inferences, in line with the research objectives.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter analyses the data that will address the structural implications in strategy at the Kenya Ports Authority. The interview was conducted with 3 key officers that are directly involved in the issues on strategy implementation at KPA.

4.2 Background Information

In line with vision 2030, the Kenya Ports Authority aims to strategically structure its operations so as to provide a platform on which to position the port as the most efficient business hub in the region. It is geared towards ensuring cost effective world-class port services. The KPA strategic plan provides a framework that positions itself strategically in its operational environment, enhance its performance, meet the expectations of its diverse stakeholder, and remain relevant in its market segment by aligning effectively to the changes taking place in the maritime trade.

Strategy and structural implications are key pillars in the operations and competitive advantage sustainability of KPA. This is because, currently, ports are considered to have a new role to fulfill in the era of globalization. The port is considered as a cluster of organizations in which different logistics and transport operators are involved in bringing value to the final consumers. In order to be successful, the port operations require gaining a higher degree of structural coordination and cooperation.

4.3 Strategy and Structural Implications

This section is structured into; factors affecting implementation of strategy at KPA, strategy and structure and strategy implementation.

4.3.1 Factors affecting implementation of Strategy at KPA

The respondents confirmed that strategy as a business concept is crucial for the long term survival of KPA. Strategy as a business game plan will make the organization to make both long term and short term goals that will make it achieve its business goals

and objectives. They further confirmed that strategy implementation is directly linked to the organization structure design, matching of the organizational structure and controls, designing the control systems and strategic change management.

The respondents agreed that lack of sufficient budgetary allocations as among the factors affecting structure strategy implementation as most of the funds are diverted to other projects. Key staff turnover was affecting continuity of strategy implementation; this is evident in the change of chief executive officers without them completing their contract terms (PMAESA, 2011). The poor communication between senior management and unionsable staff was also affecting strategy implementation. This has caused numerous staff work go-slow and strikes which hamper normal business operations. The failure of management to translate most of the strategic ideas into actions was also affecting the strategy implementation. The strategy overseers were not doing well in breaking down the strategy into smaller chunks which create inertia in the process.

The lack of clear reward and recognition programmes for excellent achievement acts as a de-motivator for employees. They do not feel the urge to go an extra mile. Further there are no clear responsibilities assigned to employees- everyone is responsible/nobody is responsible. This is evident in the KPA staff census (2012) that was done where there was a staff headcount done purposely to match employees with their jobs.

4.3.2 Structure and Strategy

The respondents agreed that there is a strong link between strategy and structure. They further affirmed that the organizational structure support whatever strategy is being implemented depending on its design. KPA is operating on a hybrid of divisional and hierarchical structure (Appendix III). The chain of command is normally top down approach. KPA has 7 divisions headed by divisional heads who report directly to the CEO.

The organizational structure is supposed to enhance easy coordination of resources, ideas and initiatives thus simultaneously facilitating the implementation of strategies and the achievement of the broader organization mission and the respective departmental objectives. The organizational structure links strategy especially in the process of goal setting process and it has a cascading effect as it allows alignment of the corporate goals down to the business unit level.

The organizational structure further allows necessary decentralization of business operations to enhance business efficiency (Appendix III). The structure further allows work specialization thus enhancing the best output from each of the employees and consequently it creates work ownership and responsibility. This structure creates teams and team spirit.

The KPA business strategic plan is anchored on the structural relationships (KPA Business Plan 2012/13-2014/15). For successful implementation of the business plan, KPA recognizes key critical success factors which include; board support and coordination, top management support and commitment, teamwork and shared responsibility, rationalized organizational structure, effective communication and institutional arrangements.

Since the KPA business strategic plan is being implemented in a rapidly changing and dynamic business environment, the organizational structure has to be aligned with the strategic plan. This is because the strategic business plan is implemented by a committee that has to coordinate well with all other employees and stakeholders in the organization. To realize economic benefits of the business strategies the link with the organizational control requirements necessary to realize these benefits has to be robust. It is argued that control systems consistent with realizing financial economies are characterized by relatively high degrees of decentralization of decisions to divisions, decomposition between divisions, and consequently, high accountability for divisional profits.

The causal relationship between strategy and structure is reciprocal, that structure also influences strategy. For that a high degree of decentralization, in the form of a divisionalized structure, increases the time and objectivity of senior managers, which in turn make it likely that they will perceive opportunities outside their areas of expertise. As a result, decentralization in this case leads to greater diversification.

The respondents raised a number of challenges that they face during strategy implementation which include; the desired strategic direction of the organization is not always clear and lacks an actionable proposition. This means that the required effort in implementing the required strategies is unclear. The mobilizing of resources also takes time, energy, commitment, courage and leadership, and this is not fully manifested in strategy implementation at KPA hence posing a challenge.

4.3.2 Strategy Implementation

Strategy implementation needs adequate and constant planning, and this was not always the case at KPA hence some strategic moves are abandoned midway or do not start at all. The aspect of strategy being only a reality for a selected few was also a great challenge to its implementation at KPA. There is also the challenge of wanting to implement strategy all at once and strategy in its nature is systematic.

Strategies are seen as fixed, not open to creative adaptation, closed to feedback from reality. They are seen as a preserve of management and the highly educated in the organization. Intellectual talk is seen as more important than actual doing. There is destructive and unhealthy internal competition within the organization especially among divisions and departments; this diverts the overall strategic goal attention as energy is focused internally and not externally.

Strategy implementation is also greatly hindered by a bloated organization structure with great bureaucratic processes. This aspect hampers fast and efficient execution of the strategies that are to be implemented or those that are already implemented.

Employee resistance to new strategies and action plans also poses a great challenge to strategy implementation. Employees fear the unknown as they are in their comfort zones and always wish to maintain the status quo.

To counter the challenges mentioned, communication was made to all employees on the subsequent adoption of a new strategy to its implementation. Employees were sensitized in all the strategic directions the organization intended to take. Resources in terms of time, human resources, finances and ICT infrastructure were mobilized well in advance and adequately for the smooth running of the strategic implementation process.

Strategic implementation going forward was to be an all-inclusive process and no employee was to be left out.

However the respondents agreed that these challenges can be turned into opportunities in future. This is because, mitigation of the current challenges can help the organization in preventing future occurrences and hence the resources used to counter the challenges can be used in other business ventures.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter is divided into four main sections: summary, conclusions, suggestions for further research, recommendation and limitations.

5.1 Summary

A case study research was conducted to establish the structural implications in strategy implementation at KPA, specifically to find out the factors that influenced strategy structure implementation and the associated benefits and challenges. Data was collected using an interview guide; Appendix II.

The study targeted three senior managers who are directly involved in strategy matters at KPA. This shows that the data obtained from the respondents was good and reliable for analysis. It was further established that the respondents have been with the organization for more than eight years of service hence indicating that they were present when the KPA organizational structure was reviewed in 2002 and subsequently 2010.

From the analysis, it was found that the organizational structure was directly dictating how strategy is implemented at KPA as it is confirmed by studies done by Chandler (1962). The other factors that also affect strategy implementation from the findings include lack of sufficient budgetary allocations, high key staff turnover especially those vested with the authority to implement strategy, poor communication especially from top to down and the failure by management to translate strategic ideas into action.

The study further revealed that KPA operates on a hybrid of divisional and hierarchical structure with seven major divisions. It further confirmed that the organizational structure enhances resource coordination, the achievement of organizational goals and objectives, studies by Pettigrew et al (2002) also found out similar results. It allows the decentralization of resources and work specialization thus promoting and enhancing efficiency.

Respondents confirmed that the strategy-structure implementation is affected by challenges which include; unclear strategy implementation road maps, lack of staff commitment, inadequacy in strategic planning, the association of strategy implementation to a selected few. Other challenges that the respondents confirmed being a problem to strategy implementation were employee resistance to change and a bloated organizational structure (work force).

5.2 Conclusion

The Kenya Ports Authority as a key player in the maritime sector is concerned about the strategy structure implications so as to maximize on business opportunities and reduce operation costs. It has attained this as it has constantly been reviewing its organization structure to meet the market trends and enhance optimization of human resources. The greatest challenge for KPA on its endeavor to attain full potential of a leaner structure is the bloated workforce and employee resistance to change. The employees are operating in their comfort zones and they do fear what they do not know. They are afraid any business strategic change done by the organization will put their jobs at risk.

Therefore since for this case the attainment of the organizational objectives has to be done then KPA should embark on sensitizing the employees on the implications sound strategies and how these strategies are directly linked to the organizational structure. There should be constant sensitization through communication so as strategy implementation is considered as a holistic business idea and not for a selected few.

5.3 Recommendations

Though KPA has so far been successful with organizational restructuring, there is need to focus on employee involvement and participation in organizational structure issues, constant communication, change management training, adequate strategic planning, as these seem to be hampering factors in the strategy structure implication. KPA being a key driver of the country's economy should alleviate or minimize these challenges and strive to get more business and thus becoming truly the world class sea port of choice.

Organizational restructuring at KPA has enabled the organization to redesign and improve business work processes radically in positioning itself to reap the best from strategy implementation but there is still need for initiatives that emphasize incremental improvement in the whole strategic management process and output to cope with the ever changing business environment.

5.4 Suggestions for further research

Since this study used a firm that has been successful with organizational restructuring practices, it would be interesting to study a firm that has not had good results organizational restructuring and much more a firm that has had disastrous results. Probably by so doing, the conclusions of the study would help in indicating to the approaches/tactics that don't work for new strategy implementation and consequent adoption. More insight could be derived from that and help in understanding some of the reasons that have led to some firms failing in new strategy implementation.

The researcher proposes that a study be conducted to determine the extent to which organizational restructuring has affected employee performance and job morale. A research can also be done to establish the relationship between strategy implementation and organizational effectiveness. Another area of interest would be to find out if there is competitive advantage derived from new strategy adoption since KPA is a monopoly in the local market.

Finally, this study is limited to the extent that its focus is on a specific country and industry/sector, Kenya and the maritime sector respectively. It is recommended that for a start, a similar study be undertaken within a region wide context and findings compared to the Kenyan context. This will provide a basis upon which the industry in Kenya can be rated for its e-procurement adoption against the other countries in the region.

5.5 Limitations of the study

The study greatly relied on primary data that was obtained from respondents, in this case top management. The top management cadre posed a big challenge while planning to secure interview time with them but with patience and flexibility the researcher succeeded. The study did not seek the opinion or corroboration from junior, middle and senior management in the organization with regard to the strategy structure implications. The study would have involved all management levels so as to establish position and opinions for all cadres. This was however not possible due to time and financial constraints.

In addition, access to internal organization documents like board minutes, policies and procedures which could provide more insight into the strategic thinking of the management would greatly have contributed towards a more pragmatic review and analysis.

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APPENDICES

Appendix 1. Letter of Introduction



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DATE: 1ST OCTOBER, 2013

TO WHOM IT MAY CONCERN

The bearer of this letter, **Nguma Joseph Tommy** of Registration Number **D61/P/7972/2004** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on ***Structural Implications in Strategy Implementation at the Kenya Ports Authority***. We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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

Thank you.



Zephaniah Ogero Nyagwoka
Administrative Assistant, School of Business-Mombasa Campus

Appendix II Interview Guide

This interview guide has been designed to collect information from selected key strategy implementers at the Kenya Ports Authority. Please feel free to participate in the discussion.

Demographic details

- a) For how long have you worked for KPA?
- b) What is your position at KPA?
- c) For how long have you worked in your current position?

A. Interview questions

3) Factors affecting implementation of strategy at KPA

- a) In your own understanding is strategy important to KPA for its business operations?
Please give reasons to support your answer
- b) What are the factors that drive strategy implementation at KPA? Name at least eight factors

4) Strategy Implementation Challenges

- a) What are the challenges that you face as managers in implementing strategy at KPA? Name at least ten.
- b) What measures are you taking to counter the challenges mentioned above?
- c) In your opinion, do you see these challenges can be turned into strategy implementation opportunities in future? Kindly explain

5) Structure and Strategy

- a) As a manager in charge of strategy implementation, what factors do you consider in order to set an adaptive and conforming relationship between structure and strategy? (e.g centralization and decentralization of operations, clarifying responsibilities etc)
- b) In implementing strategy at KPA there are leadership issues that directly impact on the outcome of this process. (e.g supporting employees perception of goals and strategies by leader, the ability of leader to create changes in organization etc) Please name at least eight of these issues
- c) Explain at least five organizational structure issues that affect the implementation of strategy at KPA.
- d) What structural factors do you consider in setting short and long term goals?

- e) Which type of organizational structure does your organization have (e.g flat, hierarchical) and does your organization use this structure to help management in achieving its objectives?

Thank you for your cooperation.

Appendix III: Kenya Ports Authority Organizational Structure

PROPOSED HIGH LEVEL ORGANISATION STRUCTURE

