STRATEGY DEVELOPMENT AT POSTAL CORPORATION OF KENYA

BY

WANJIR STEPHEN OMONDI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2013
DECLARATION

I declare that this project is my original work and has not been submitted for a degree in any other university or Institution of Higher Learning for examination/academic purposes.

Signature:…………………………………………… Date: ………………………………………

STEPHEN OMONDI WANJIR

REG NO: D61/70661/2007

SUPERVISOR’S DECLARATION

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

Signature………………………………….. Date …………………………………………..

DR JACKSON MAALU, PhD.,
SENIOR LECTURER, DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI
ACKNOWLEDGEMENTS

I take this opportunity to give thanks to the Almighty God for seeing me through this project. It could not have possible without Him. His Grace, mercy, and favor for me are new every day. Special thanks go to Dr. Jackson Maalu, my supervisor, and Dr Zack Bolo Awino, my moderator, who together offered immense guidance that ensured successful completion of this project. They were very patient with me and read several drafts. I would also wish to thank all MBA students, staff, lecturers and the entire University of Nairobi fraternity for changing me to be what I am today.

I also wish to sincerely thank staff of Postal Corporation of Kenya particularly Mrs. Jane Kiragu, Manager/Strategy, who ensured my questionnaire was answered I got the necessary secondary data for this study. You were so good to me. I must also remember all my friends for the support you gave me. Special thanks go to my long time friend and professional colleague Nicholas Chepkoowo, who kept encouraging and praying for me to continue.

A lot of thanks go to my family members for allowing me to be away from important family functions and my local church, the Utawala Catholic Church and my small Christian Community at Utawala, St. Joseph the Worker. They were very understanding. I cannot list all those who contributed to my success in completing my MBA, but I request that you accept this deep appreciation.
DEDICATION

This study is dedicated to my late parents, Joseph Wanjir and Leonora Ragot for inculcating the value of education in me that has kept me yearning for more knowledge. May the good Lord rest your souls in eternal peace.
ABSTRACT

Organizations interact with environment in which they operate and therefore must align themselves with the ever changing business environment. This involves assessment of a firm’s internal capability and how well it is equipped to adapt and survive in the industry within which it operates. The analysis of a firm’s strategy involves the interaction between the strategic choice and its environmental context. Ansoff and McDonnell (1990) wrote that organizations’ strategy and internal capability must keep changing to match the environmental conditions. Strategy is therefore not static but keeps changing even within an organization. This study sort to determine strategy development processes and establish factors influencing strategy development at Postal Corporation of Kenya (PCK). The study used a case study design because it places more emphasis on a limited number of events or conditions and their interrelations (Kothari, 2004). The researcher used both primary and secondary data. Primary data was collected using a questionnaire and in-depth interview with senior managers. Secondary data was obtained from internal documents such as internal correspondences and documentary materials from existing records at PCK Headquarters. Data was analyzed using content analysis to allow in-depth understanding of issues in the case. The study determined strategy development processes at PCK and revealed that the corporation started with undertaking SWOT analysis where strengths and weaknesses in the internal environment and opportunities and threats in the external environment were identified and analyzed. PESTLE analysis was also done that involved analyzing the external environment in terms of political, economic, social, technological, legal and environmental dimensions. The second step involved preparation of vision, mission and core values. The third step was development of key corporate strategic objectives. In the final analysis, the Corporation developed detailed action plan, resource requirements and projected financial and statistical outcomes. In the detailed action plan, PCK listed strategies for mobilizing the required resources. The process took approximately one year and ended with a blue-print that was widely shared within the organization to guide implementation of the strategy. The study also revealed that very few people took part in strategy development at PCK mainly comprised of management staff. Non management staffs were largely excluded. The study established factors influencing strategy development at PCK to be environmental in nature. The study concluded that strategy development is important to large corporations in the face of turbulent environment. Including many people has many advantages including improved quality of the strategy, improves employees understanding of the organization leading to improved motivation and resistance to change is also reduced. The study recommended that PCK needs to consider shortening the strategy development period since environment is highly turbulent. Five years period is on the higher side. Postal Corporation of Kenya is a very large organization with more than 3,000 staff and over 700 outlets. The researcher was not able to visit many outlets to talk to many staff because of time constraints. The study is specific to Postal Corporation of Kenya therefore its findings and recommendations may not be applicable to other organizations. This study focused only on Postal Corporation of Kenya. The researcher recommends that further research with similar objectives be done on other organizations, for instance, courier companies, communication companies, among others. The respondents in this study were few managers based in Nairobi. It is therefore suggested that similar study can be done targeting more respondents from PCK outlets.
# TABLE OF CONTENTS

DECLARATION ........................................................................................................... ii

ACKNOWLEDGEMENTS .......................................................................................... iii

DEDICATION .............................................................................................................. iii

ABSTRACT .................................................................................................................. v

CHAPTER ONE .......................................................................................................... 1

INTRODUCTION ......................................................................................................... 1

1.1 Background of the Study ...................................................................................... 1

1.1.1 Concept of Strategy ......................................................................................... 2

1.1.2 Strategy Development ..................................................................................... 3

1.1.3 Postal Corporation of Kenya ........................................................................... 6

1.2 Research Problem ............................................................................................... 7

1.3 Research Objectives ........................................................................................... 8

1.4 Value of the Study ............................................................................................... 8

CHAPTER TWO ......................................................................................................... 10

LITERATURE REVIEW ............................................................................................. 10

2.1 Introduction ......................................................................................................... 10

2.2 Theoretical foundation ....................................................................................... 10

2.2.1 Game theory .................................................................................................. 10

2.2.2 Resource-based view ..................................................................................... 12

2.3 The Concept of Strategy Development ............................................................... 13

2.3 Strategy Development Process .......................................................................... 17

2.4 Challenges in Strategy Development .................................................................. 18

CHAPTER THREE .................................................................................................... 20

METHODOLOGY ....................................................................................................... 20

3.1 Introduction ......................................................................................................... 20

3.2 Research Design ................................................................................................. 20

3.3 Data Collection .................................................................................................. 20

3.4 Data Analysis ..................................................................................................... 21
### CHAPTER FOUR

**DATA ANALYSIS**

- **4.1 Introduction**
- **4.2 Strategy Development Process at Postal Corporation of Kenya**
- **4.2.1 Situation Analysis**
- **4.2.2 Vision, Mission and Core Values**
- **4.2.3 Corporate Strategic Objectives**
- **4.3 Strategy Implementation Plan**
- **4.3.1 Monitoring and Evaluation**
- **4.3.2 Resource Requirements and Projected Financial Outcomes**
- **4.4 Factors that influence Strategy Development at PCK**
- **4.5 Discussion**

### CHAPTER FIVE

**SUMMARY, CONCLUSION AND RECOMMENDATION**

- **5.1 Introduction**
- **5.2 Summary**
- **5.3 Conclusion**
- **5.4 Recommendations**
- **5.5 Limitations of the Study**
- **5.6 Suggestions for further studies**
- **5.7 Implication on policy, theory and practice**

### APPENDIX

- **INTERVIEW GUIDE**
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Strategic thinking and overall strategy development are deeply founded in a branch of social psychology known as game theory (Aumann, & Hart, 1994). Game Theory is ideal for strategic situations where competitive or individual behaviors can be modeled. These situations include: auctions (e.g., sealed project bids), bargaining activities (e.g., union vs management, pricing buy-back and revenue-sharing negotiations), product decisions (e.g., entry or exit markets), principal-agent decisions (e.g., compensation negotiations, supplier incentives) and supply chain design (e.g., capacity management, build vs outsource decisions). Typically, multiple strategy games are played to model different competitors, various payoffs and potential strategies. The objective of these games is to deliver 1) a recommended set of strategic decisions to guide competitive behavior to a desirable outcome, and; 2) an analysis of how a series of possible strategic moves can predict various competitive outcomes. Different types of games can be utilized depending on the strategic situation, the number of players, the amount of information available and the timing constraints (Vernon, 1992).

According to (Makadok 2001), it is imperative to any development strategy to factor in ways to ensure competitive advantage. He argues that competitive advantage in any strategy can be attained if the current strategy is value-creating, and not currently being implemented by present or possible future competitors. This argument underscores the essence of the Resource Based View (RBV).

Effective strategy development is a key ingredient to successful strategic management. Such a process is crucial since different interested parties have to be involved whose various
contributions are essential to success of the process (World Bank 2000). Mintzberg and Quinn (1991) indicate that strategy is about survival in business, on the battleground, during a game, or through life in general. They define strategy as pattern, or plan that aligns goals, policies, and actions into a cohesive whole.

Grant (2002) contends that success requires a strategy that provides a consistency of direction based on a clear understanding of the game being played. It involves creation of awareness of how to maneuver into a position of advantage. Aosa (1992) also notes that most Kenyan managers operate in highly competitive conditions since complexity of the Kenyan business environment is increasing tremendously. Organizations are constantly being subjected to change be it economic, technological, competitive, or political. Ansoff (1988) notes that due to the constant change in operating environment, organizations have to constantly adapt their operations to reflect the new realities.

Pearce and Robinson (1997) define strategic management as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives. Ansoff and McDonnel (1990) define strategic management as a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which assures its continued success and make it secure from surprises. They further state that strategic management is a systematic approach for managing strategic change which consists of positioning issue management, and systematic management of resistance during strategy implementation.

1.1.1 Concept of Strategy

Johnson and Scholes (2003) view strategy as the direction and scope of an organization over the long term. This achieves advantages through its configuration of resources within a
changing environment and fulfillment of stake-holders expectations. Strategy development should first address the present situation and resources of the organizations and examination of recent history of changing context both internal and external. This involves consideration of strengths and weaknesses and determination of how to capitalize on strengths and exploit opportunities. Strategy development should also articulate the organizations mission statement. Goals and objectives should then be set indicating the intended future direction of the organization. Few broad goals that reflect multiple objectives are recommended. After articulating the vision and determining goals, strategy developers must address the means of reaching those goals.

Strategy development however complex, costly to introduce, and costly to use, it still remains potentially very powerful tool for coping with the conditions of change which surround firms today. Its benefits range from enhancing ability of the firm to prevent problems, group-based strategic decisions are likely to draw from the best available decisions, employees understanding of the organization increases leading to their motivation, gaps and overlaps in activities among individuals and groups are reduced, and resistance to change is also reduced. There is evidence that it more than pays itself and therefore merits serious attention as a management tool, not only for the firm but also for a broad spectrum of social organizations.

1.1.2 Strategy Development

There are many methods that can be used in developing a strategy. Some are formal while others informal. Debate is ongoing whether strategies form naturally or they are formulated. Mintzberg et al (2002) give ten schools of thought of strategy development that are broadly classified into two: the first three are prescriptive (or ‘ought’) and the next seven are descriptive (or ‘is’).
The three prescriptive schools are design school: a process of conception, planning school: a formal process, and positioning school: an analytical process. Design school was the original perspective. It sees strategy formation as achieving the essential fit between internal strengths and weaknesses and external threats and opportunities. In this school, senior management formulate clear, simple, and unique strategies in deliberate process of conscious thought so that every one can implement them. Here, the strategy development process is neither formally analytical nor informally intuitive. The planning school grew in parallel with the design school.

The strategy development process is formal decomposable into distinct steps, delineated by checklists, and supported by techniques. In this school, strategy is outcome of formal and deliberate planning efforts. The positioning school was the dominant view in the 1980s. It was given impetus by Michael Porter in 1980 following earlier work on strategic positioning. According to this school, strategy development reduces to generic positions selected through formalized analyses of industry situations. Strategy planners become analysts.

The next seven descriptive schools of strategy development are Entrepreneurial school: a visionary process, Cognitive school: a mental process, Learning school: an emergent process, Power school: a process of negotiation, Cultural school: a social process, Environmental school: a reactive process, and Configuration school: a process of transformation. Entrepreneurial school centers strategy development on the chief executive rooting the process in the mysteries of intuition, experience and personal judgments. The leader maintains close control over implementation and formulation of his or her vision. Such firms can move forward quickly, decisively and successfully but suffer from the problem of uncertainty without the influential owner. Cognitive school believes that strategies develop in
people’s minds as frames, models, concepts, maps, or schemers. Research is still ongoing on cognitive biases in strategy making and on cognition as information processing, knowledge structure mapping, and concept attainment.

Learning school states that strategies are emergent and strategists can be found throughout the organization. The so-called formulation and implementation intertwine such that they are not distinct. The power school roots strategy making in power. Actors in strategy development in an organization bargain, persuade, negotiate, compromise, build network and confront each other to divide power among themselves. The organization can also use its power over others and among its partners in alliances, joint ventures, and other network relationships to negotiate strategies in its interest. Cultural school considers strategy development process as focusing on common interest and integration rooted in culture. It is influenced by experiences, values, beliefs and assumptions held by managers over time.

The environmental school looks at strategy development as the outcome of constant adaptation of an organization to its environment. It is concerned with how organizations use degrees of freedom to maneuver through their environments. In this school, we include contingency theory that considers which responses are expected of organizations facing particular environmental conditions, institutional theory concerned with institutional pressures faced by organizations, and population ecology writings that claim severe limits to strategic choices. The configuration school sees strategy development process as changing from one school to another school. Mintzberg concludes that these perspectives both represent fundamentally different processes of strategy development, and different parts of the same process. Some recent strategy development processes tend to cut across these perspectives, i.e. cross-fertilization occurs.
1.1.3 Postal Corporation of Kenya

Emerging market and economic trends spearheaded by the Universal Postal Union (UPU) together with efforts to separate postal services from those of telecommunications were initiated in the late 1980s (Postal Corporation of Kenya, n.d.). In July 1999, the Kenya Post and Telecommunication was split to create, among others, the Postal Corporation of Kenya (PCK). PCK currently operates 31 Head Post offices, 472 departmental postal outlets and 204 sub-post offices and partners with about 5,000 stamp vendor licensees (Postal Corporation of Kenya, 2008). The average population served per post office is 55,630 against the Universal Service Obligation (USO) recommended number of 6,000 persons per post office. USO recommends provision of accessible, affordable and reliable postal services to all. PCK products and services include Letter Post, Parcels, Expedited Mail Services, Philately, Postal Financial Services, Agency Services and technology based money transfer services with staff complement of slightly below 4000.

Postal service providers worldwide are challenged both as digital technology alters hard copy communication and physical shipping, and as declining economies around the globe erode their principal revenue bases. The global postal environment is turbulent. The economic forces of deregulation, globalization, liberalization, and privatization have altered the postal landscape. Postal operators must transform themselves to meet the ever changing communication-channel and transportation preferences of their customers. Opportunities for the operators are substantial as the world’s economies recover and prosper.

UPU is the primary forum for cooperation between postal sector players. It helps to ensure a truly universal network of up-to-date products and services. Established in 1874, the UPU, with its 191 member countries and its headquarters in the Swiss capital Berne, is the second
oldest international organization worldwide. The Union fulfils advisory, mediating and liaison roles, and provides technical assistance where needed. It sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail, parcel and financial services volumes and improve quality of service for customers. UPU has urged postal administrations to plan so that the direction of future can be influenced positively, and a new level of volume growth, financial stability, and success can be brought to the postal sector.

1.2 Research Problem

The task of strategizing is always an ongoing exercise, partly in response to an ever-changing external environment, partly from managers’ efforts to create new opportunities and partly from fresh ideas about how to make the strategy work better (Thomas and Strickland, 1993). Everything cannot be planned out in advance. Even the best laid down plans must be responsive to changing conditions and unforeseen circumstances. Strategy development therefore proceeds on two fronts, one proactively thought in advance, second conceived in response to new developments, special opportunities and experiences with the successes and failures of prior strategic moves, approaches and actions.

PCK had recorded general reduction in postal traffic segments, revenue and profitability (Postal Corporation of Kenya, 2008). Between 2005 and 2009, international letters posted, domestic parcels posted, and money orders issued had all been reducing in volumes by 13%, 9%, and 2% annually respectively. On the other hand, growth was realized in domestic letters posted, international parcels posted, total courier items handled, and agency business transactions by 2%, 39%, 30% and 27% per annum respectively.
Studies examining relationships between strategy development and performance showed that strategy development leads to improved performance (Powell, 1992). Aosa, (1992) looked at strategy formulation and implementation within large manufacturing concerns; Shimba, (1993) focused on the financial sector and Mbaya, (2001) concentrated on commercial internet providers. These studies concluded that organizations were faced with rapid changes in external and immediate environment and therefore turned to formal strategic planning activities. A part from Kitonyi (2008) whose study focused on Postal Corporation of Kenya’s response strategies to external environment, no other studies had been done on Postal Corporation of Kenya. The question then was what were PCK’s strategy development processes? What factors influenced PCK’s strategy development processes?

1.3 Research Objectives

This study had two key objectives:

i. Determine strategy development processes at Postal Corporation of Kenya and

ii. Establish factors influencing strategy development at Postal Corporation of Kenya

1.4 Value of the Study

Strategy needs to be carefully crafted for an organization to succeed in the environment it operates. Success would not come from capturing and holding a market but by being nimble and responsive to changing market conditions. The business entity therefore needs to build business processes and core competencies in areas which allow it to respond to rapidly changing conditions. This study was aimed at offering the following significance. Firstly, debate has been ongoing whether strategies form naturally or they are formulated. At the same time, there are many schools of strategy development. Strategy development may
also either take top-down or down-top approaches. In this study therefore, scholars, researchers and practitioners of strategy development would get an insight into the process of strategy development at PCK. For instance, if it is formulated does it take top-down or down-top approach, or does it form on its own, the school it belongs to.

Secondly, inability to respond to changing market conditions and to continue riding a dead strategy eventually leads to organizational failure. Organizations that adapt to changing conditions thrive and grow while those that remain unaware or misjudge these challenges and opportunities and fail to develop a new business strategy fail. Therefore different organizations consider different factors as they develop their strategies. This study set to establish factors that influence strategy development at PCK.

Thirdly, strategy is not a blueprint but a mindset which should be understood by every person in the organization and used to guide all decision-making, channel resources and define direction within the organization. In developing strategy, leaders make conscious and informed choices about who they are and what they stand for. Building a strategy therefore should be worth the time it will take to develop it, debate it and secure agreement on its direction. This study aimed at shedding light in regard to the participation, consultation, and consensus building processes around strategy development at Postal Corporation of Kenya.

Finally, this study was expected to stimulate further research in the field of strategy development. Researchers would be able to make references to findings of this study as they further research in strategy development. The study would therefore contribute towards increasing the body of knowledge in the field of strategy development.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter broadly explains the concept of strategy development. It then considers strategy development process. The chapter finally concludes by discussing challenges involved in strategy development.

2.2 Theoretical foundation
This section reviews two theories on which strategy development is anchored. The game theory and resource-based have been discussed in this regard.

2.2.1 Game theory
Tesfatsion (2006) argues that Game Theory is a powerful tool for predicting outcomes of a group of interacting firms where an action of a single firm directly affects the payoff of other participating players. Given that each firm functions as part of a complex web of interactions, any business decision or action taken by a firm impacts multiple entities that interact with or within that firm, and vice versa. Said another way, each decision maker is a player in the game of business. Therefore, when making a decision or choosing a strategy firms must take into account the potential choices and payoffs of others, keeping in mind that while making their choices, other players are likely to think about and take into account your strategy as well. This understanding – quantified through payoff calculations - enables a company to formulate their optimal strategy (Joseph, 2008).

Game theory analyzes strategic interactions in which the outcome of one's choices depends upon the choices of others. For a situation to be considered a game there must be at least two
rational players who take into account one another's actions when formulating their own strategies. If one does not consider the actions of other players, then the problem becomes one of standard decision analysis, and one is likely to arrive at a strategy that is not optimal. Game theory assumes that one has opponents who are adjusting their strategies according to what they believe everybody else is doing. The exact level of sophistication of the opponents should be part of one's strategy. If the opponent makes his/her decisions randomly, then one's strategy might be very different than it would be if the opponent is considering other's moves (Aumann, 2008).

Game theory helps one to develop optimal strategies. In an environment in which many outcomes are pre-determined when sophisticated players follow their best strategies, the way to improve one's payoff is to change the actual structure of the strategic interactions before the game is even played. Increasingly, companies are utilizing the science of Game Theory to help them make high risk/high reward strategic decisions in highly competitive markets and situations. Modern Game Theory has been around for over 50 years old and has demonstrated an ability to generate the ideal strategic choice in a variety of different situations, companies and industries. Game Theory principles are leveraged through the use of strategy games. (Ross, 2008).

Game Theory principles are leveraged through the use of strategy games. These games are well-defined mathematical scenarios that encompass a set of players (individuals or firms), a set of strategies available to those players, and a payoff specification for each combination of strategies. One simple and well-known example of a strategy game, familiar to first year psychology students, is the four quadrant Prisoner’s Dilemma (Vernon, 1992).
2.2.2 Resource-based view

The resource-based view (RBV) is a firm’s competitive advantage foundation that lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Makadok, 2001). As Peteraf (1993) puts it, the transformation of a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature rather than perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 2001). If these conditions hold, the bundle of resources can sustain the firm's above average returns.

In principle, RBV requires that managers employ the VRIN criteria, to evaluate whether these resources are: *Valuable* – A resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses. Relevant in this perspective is that the transaction costs associated with the investment in the resource cannot be higher than the discounted future rents that flow out of the value-creating strategy (Mahoney and Pandian, 1992; Conner, 1992); *Rare* – To be of value, a resource must be rare by definition. In a perfectly competitive strategic factor market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns (Dierickx and Cool, 1989); *In-imitable* – If a valuable resource is controlled by only one firm it could be a source of a competitive advantage. This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly (Peteraf, 1993). The term isolating mechanism was introduced by Rumelt (1984, p567) to explain why firms might not be able to imitate a resource to the degree that they are able to compete with the firm having the valuable resource (Peteraf, 1993, p182-183; Mahoney and Pandian, 1992, p371) or *Non-
substitutable – Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability (Dierickx and Cool, 1989). If competitors are able to counter the firm’s value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents (Barney, 1986a, 1991).

It is notable that the VRIN characteristics are individually necessary, but not sufficient conditions for a sustained competitive advantage (Priem and Butler, 2001). Within the framework of the resource-based view, the chain is as strong as its weakest link and therefore requires the resource to display each of the four characteristics to be a possible source of a sustainable competitive advantage.

2.3 The Concept of Strategy Development

Mintzberg (1987) sees strategy as a pattern in a stream of decisions and actions that may be deliberate at times, emergent at other times, mixed and mostly based on management intuitions and creativity. He concludes that formal strategy development only gave rise to deliberate strategy. Mintzberg (1994) goes further to define strategy in terms of 5P’s: Perspective, Plan, Pattern, Position, and Ploy. Morden (1999) adds 2P’s to further define strategy; that is Power and Politics.

Peters (1987) observes that strategy development needs to be rediscovered, whereby due to acceleration of change in the environment, strategic thinking should be flexible and adaptable, hence be timely in responding to the surprises which could be anticipated in advance. He argues that a good strategy development process should be proactive, imaginative and risk taking.
Ansoff (1988) views strategy as the common thread in an organization. He defines strategy as the product/market scope of an organization. Andrew (1971) asserts that strategy is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving the goals that define the range of business the entity is to pursue, the kind of economic and non-economic contribution it intends to make to its shareholders, employees and communities.

Ansoff and McDonnell (1990) define strategy as a set of decision making rules or guidance of organizational behavior. They see a tool which offers significant help for coping with turbulence confronted by business firms. Therefore, it merits serious attention as a managerial tool, not only for the firm but also for a broad spectrum of social organizations. Ansoff (1988) warns that strategy is a very elusive and somewhat abstract concept. Strategy development is not a task neither is it a document. It is a mindset which should be understood by all in the organization and used to guide all decision making within the organization. It is a set of managerial skills that ought to be exerted throughout the organization, in a wide array of functions.

The history and development of documented strategic thinking can be traced to 1950’s in the USA when accelerating and cumulating events began to change the boundaries, the structure and the dynamics of the business environment. Drucker (1954) called this era, an “age of discontinuity”. Firms were increasingly confronted with novel and unexpected challenges which were so far-reaching.

In the 1950s to 1970s, a major escalation of environmental turbulence took place (Ansoff and McDonnell, 1990). There was change in environment from familiar world of marketing and
production to unfamiliar world of new technologies, new competitors, new consumer attitudes, new dimensions of social control, and above all, an unprecedented questioning of the firm’s role in society. Major turbulence continued including emergence of Japan as global power, emergence of a united Europe, revolutionary shake up of the communist economic system in Eastern Europe, threat of environment-destroying pollution, explosive problem of the world debt, and the continuing growth and proliferation of new technologies.

In 1980s going forward, environmental changes continued to accelerate at an increasing frequency. The speed with which new products and services have invaded markets also increased. Such changes have become increasingly complex, novel, and discontinuous. They have become simultaneous: i.e. the need for revival of entrepreneurship, for response to increasing intensity of global competition, and for societal involvement in determining how the firm is to be run and what role it should play. The consequences of that acceleration of environmental change are threefold: an increasing difficulty in anticipating change sufficiently in advance to plan a timely response, the need for increased speed of implementation of the response, and the need for flexibility and timely response to surprises which could not be anticipated in advance.

Management systems have evolved as environmental turbulence changes (Ansoff and Mcdonnell, 1990). Initially such change was slow making it adequate for management to adopt management by control (after the fact) of performance style. Later change accelerated but the future could be predicted by extrapolation of the past and management system changed to management by extrapolation. Discontinuities of change slowly began to appear allowing timely anticipation and response. To cope with environment, management style changed to management by anticipation. Finally many significant changes started occurring
too rapidly to permit timely anticipation forcing managers to adopt management through flexible/rapid response style. It is therefore clear that firms need to continuously scan the environment they operate in and make appropriate changes in the strategy to optimize their potential and achieve their objectives.

Ansoff and Mcdonnell (1990) call relationship between a firm’s strategy and its operating environment strategic success hypothesis. The hypothesis states that for a firm to optimize its potential, the aggressiveness of its behavior needs to match the turbulence of the environment, responsiveness of its capability needs to match the aggressiveness of its strategy, and the components of its capability must be supportive of one another. The components are the functional and general management capability and strategic aggressiveness is determined by the degree of discontinuity of a firm from past products and markets and, the timeliness of introducing new products where necessary.

Ansoff and Mcdonnell (1990) go further to bring issue management concept also known as Complexity and Chaos theory. The theory advocates for real time strategic responses as opposed to formalized strategic planning that takes weeks or months to complete. The environment is highly complex and chaotic and or unpredictable and turbulent. Managers cannot know all there is to know about complexity, be able to predict its effects, and or know when it will occur.

In conclusion, the rate of change today is more rapid than it has ever been in history. Therefore agility in strategic business development and execution is now more important than ever in maintaining the competitive advantage needed to keep an organization thriving and relevant.
2.4 Strategy Development Process

There are two fundamental dimensions in strategy development: Goal Orientation (what) and Process Orientation (how). These dimensions result in four views of the strategy development process as outlined by Indenburg (1993).

Ansoff (1988) expounds the Rational Planning view as a form of strategy development concerned with the development and formulation of achievable objectives. Rational arguments and analytical considerations are the basis for explicitly formulated options or optimal solutions for defined problems. Models of rational planning are based on an assessment of opportunities and threats in the external environment, strengths and weaknesses in the internal environment.

According to Argyris (1985), strategy development is a guided learning process in the experience of many organizations. The mere formulation of strategic plans is an insufficient guarantee of behavioral change by managers. Their mental modes do not reflect the complexity of the environment as analyzed in or during the development of strategy. The guided learning process attempts to introduce these mental models of reality so that they may be discussed. In this view on the process of strategy development, a common image of reality, a common language and the joint acquisition of new insights is just as important as the definition of exact goals for the desired future. The learning process approach recognizes that it is difficult or impossible to predict the future external and internal environment and that organizations in a competitive situation in which the time factor is often important must learn quickly.
The view of logical incrementalism expounded by Quinn (1980) and Handy (1976) recognize that the planned implementation of strategy from A to Z is an illusion. Every successful strategy development process has elements of goal orientation and process orientation. The process develops in phases but each following phase builds on the previous phase and has its own internal logic structure that follows strategy. Organizational structure also impacts on strategy development. Analysis and action are successive steps but ideas often manifest themselves in behavior. Logical incrementalism recognizes the reality of strategic management comprising steering goals as well as people.

Mintzberg (1994) preaches emergent strategy view saying that it is not possible to develop a perspective of future and formulate explicit objectives in an unpredictable environment. Instead, it is necessary to react in a flexible, opportunistic and accidental manner to new, unpredictable developments and “muddle through”. Organizations are regularly overtaken by developments, react in a non-structured manner and learn by their mistakes. The four alternative views of strategy development are inter related and contain truths as reflections of the practical activities of strategy development. They provide a balanced view of goal and process oriented strategy development and point out the need for corporate planners and managers to understand the analytical and behavioral aspects of strategic management.

2.5 Challenges in Strategy Development

Uncertainties and rapid environmental change mean that a planning approach to strategy is not recommended in most cases and that the distinction between strategy development and implementation becomes unsustainable (Mintzberg, 1994). Kanter (2002) suggests that companies that want to outpace the competition throw out “the script” and improvise their
way to new strategies. Industry value chains are being replaced by more complex value networks (Stabell and Fjeldstad, 1998). Consequently organizations are required to carve out roles in a network of players, often opting for competition, rather than seeking a profitable market among competitors in a clearly defined market.

Rylander and Peppard (2003) point out a set of conditions that shape the competitive environment. Firstly, the market place is evolving and immature and its boundaries are unclear; secondly, rapid rate of change and technological innovation; thirdly, markets and their operating environments are becoming more complex as traditional industries converge and the supply of products and services increase in diversity.

Companies that are knowledge-intensive and dependent on employees for success require structures to support the creative process of these individuals as well as the conversion of ideas into marketable products or services. Traditional strategy development model does not adequately deal with such products. Firms need to be proactive in their approach to compete in competitive environment (Hamel, 1996).

Organizations have to look to their internal environment for sources of competitive advantage in an uncertain market. In a knowledge intensive company, this often means competence and other intangible assets such as brands, intellectual property or relationships. In such a company, innovation and the ability to propel ideas to market quickly become crucial. Values, beliefs and vision become critical when people are the key value drivers, as they guide and align the behaviors of employees (Davidson, 2002)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the steps to be undertaken in conducting the study. It describes the research design as that of a case study. It also explains sampling and data collection methods and describes how the data will be analyzed.

3.2 Research Design

The research was conducted through a case study. This method enabled the researcher to probe and obtain an in-depth understanding of Postal Corporation of Kenya that was the subject of the study. This design was valuable for detailed analysis. Young (1960) and Kothari (1990) contend that a case study often provides focused and valuable insights to a phenomenon that may be vaguely known or less understood.

3.3 Data Collection

The study used both secondary and primary data. The researcher obtained secondary data and material from internal documents such as internal correspondences and documentary materials from existing records at PCK Headquarters. The information was reviewed to provide background information for the study. Primary data was collected through in-depth interview of the Manager/Strategy, Assistant Manager/strategy, and two senior officers working in the strategy department. Also interviewed were General Manager/Courier, General Manager/Mails, General Manager/Financial and Agency Services, and Regional Manager/ Nairobi.
An interview guide was used. Questions were issued in advance to assist the respondents recollect facts or make references where necessary and the researcher booked an appointment later, at the convenience of the respondents. The interviewees were allowed to discuss the topics without necessarily following the order of the guide. The interviewer then probed any aspects of the interview guide that the interviewees had not covered. Types of data collected at each interview session were in form of draft notes summarizing the discussions with each interviewee.

3.4 Data Analysis

Data analysis involved organizing what had been collected through seeing, hearing, and reading in order to make sense out of it. It entailed working with the data, that is, describing, creating explanations, posing hypotheses, developing theories, and linking story to other stories. To do so, the researcher categorized, synthesized, searched for patterns, and interpreted the collected data (Glesne, 2005).

Thematic Analysis method was used in this study. The method involved a review the data, note making and sorting the data into categories, from which codes were developed. This method was chosen due to the kind of data expected from the prepared research instrument to be administered. The data was non numeric in the form of detailed text and materials determining the processes and establishing factors that influenced strategy development at Postal Corporation of Kenya. The researcher then established patterns, trends and relationships from the information gathered. This method was useful in gaining fresh material in even what was thought to be unknown.
Data analysis was done simultaneously with data collection to enhance focus and shape the study as it progressed. The researcher consistently reflected on the data, worked to organize them, and tried to discover what they had to tell. The use of memos, analytic files, rudimentary coding schemes, regular progress reports, and maintaining some semblance of control were done. This was followed by coding the collected data to create an organizational framework and enhance data analysis.

The data was displayed to permit conclusion drawing and action taking. Where possible, matrices, graphs, flowcharts and sorts of visual representations were used. Data was displayed in the best way possible to assist in making meaning, as well as in exposing the gaps or the areas where more data was needed making data organization ongoing throughout the data collection. The next step entailed transformation of data from display to meaning through description, analysis, and interpretation. Description clarified data that was collected. Analysis identified key factors in the study and relationships among them. It included detailed coding schemes, data displays, comparisons to a standard, and other means of identifying patterned regularities. Finally, data interpretation transcended the factual data and cautiously analyzed and probed it.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction
This chapter presents data obtained from the respondents, the analysis, results and discussions. The objectives of the study were two fold: firstly to determine strategy development processes and secondly to establish factors influencing strategy development processes at Postal Corporation of Kenya. This was therefore a case study of Postal Corporation of Kenya. The data was gathered using a designed interview guide in line with objectives and through review of internal documents.

4.2 Response Rate
The study aimed at interviewing the Manager/Strategy, Assistant Manager/strategy, and two senior officers working in the strategy department. Also to be interviewed were General Manager/Courier, General Manager/Mails, General Manager/Financial and Agency Services, and Regional Manager/ Nairobi. All the interviewees were reached and interviewed making a response rate of 100%. This rate was realized through personal calls and visits to remind the interviewees of the interview.

4.3 Strategy Development Process at Postal Corporation of Kenya
One of the objectives of this study was to establish strategy development process at Postal Corporation of Kenya. The researcher found that PCK develops five-year Corporate Strategic Plans. The period coincides with both general elections in Kenya and the Five-Year Development Plans that the Government prepares every time a Government is elected. The corporation has Strategy Department that coordinates the development and monitoring of strategy. The researcher found that PCK undertakes the following processes in developing its strategic plans.
4.4 Situation Analysis

The study revealed that PCK starts its strategy development process by undertaking situation analysis. The corporation uses PESTLE and SWOT management tools to analyze its external and internal environments respectively. The PESTLE framework focuses on key political, economic, social, technological, legal and environmental dimensions in both global and local environment while SWOT analyzed strengths, weaknesses, opportunities, and threats in the environment.

The study further established the two strategies employed were recently mainstreamed in response to a month long survey recommendations focused on a project aimed at proposing strategic directions for competitive re-positioning of the corporation against challenges and new opportunities brought on by the digital era and changing competitive landscape. Among the key findings, was that the postal business around the world has changed due to new technology and increasing competition. Yet these same challenges present opportunities in the form of diversification of the business into new offerings such as financial services.

4.5 Vision, Mission and Core Values

The second process in strategy development at PCK is the setting of clear strategic direction through determining vision and mission of the Corporation. Its vision in the Corporate Strategic Plan (CSP) 2008/2009 to 2012/2013 was “To be a dynamic and Market oriented postal service provider,” and its mission statement was “To deliver superior financial, distribution and communication solutions to our customers and create value to our stakeholders.”
PCK sets corporate values as standards by which its actions and decisions are to be considered and judged by others and are rooted in its code of conduct and ethics. PCK had five corporate core values that included firstly entrepreneurship, that is, commitment to delivering innovative solutions in its key business areas to customers; secondly was integrity, that is, doing the right thing and adherence to the highest ethical standards of honesty, transparency and loyalty; thirdly was stewardship that is, dedicated to the efficient and effective use of resources by accepting the responsibility of the public trust and accountable for PCK actions; fourthly was Professionalism whereby PCK will endeavour to ensure all employees are trained to perform their work with expertise, dedication and care; fifthly was Teamwork. PCK recognized that its success hinged on teamwork and passion for work and therefore communication both within the Corporation and with the community served was critical.

4.5.1 Corporate Strategic Objectives

The study found that the corporation develops five to ten objectives that support its goals from which broad key strategic objectives are developed. PCK’s CSP 2008/2009 to 2012/2013 had four key strategic objectives. The first objective was to grow and maximize revenue, the second objective was to improve the efficiency and quality of processes so as to improve on service delivery, the third objective was continual improvement on customer satisfaction and enhances a positive corporate image, and the fourth objective was to enhance, sustain and optimize human resource capacity. PCK Board of Directors and Management work together in setting corporate strategic objectives.

4.6 Strategy Implementation Plan

Results of the study indicated that PCK prepares a detailed action plan as part and parcel of the strategy development. The detailed plan is for specific activities pegged on defined
timelines towards implementing the developed strategy. Within the implementation framework, responsibilities were assigned to specific departmental heads who would champion the respective strategies assigned.

The corporation recognized that it could not plan for all contingencies, but must base its strategic objectives within the framework of given assumptions. The assumptions that PCK formulated to implement the Action Plan Matrix were that, there would be a common understanding between PCK and its stakeholders, the public would expect continued excellent service delivery, the country’s infrastructural network would continually improve, the legislative amendments would continue to be made and may affect the operating business environment, resources would become more expensive as market research would be carried out continuously, the corporation’s ICT network coverage would be strengthened, Government would support postal projects and UPU initiatives, East African common market would integrate, PCK would continue training staff as objectively planned, timelines would be effectively managed as set out in the plan, and the last assumption was that policies, processes and procedures would be reviewed and developed as need arose.

Execution of the strategy requires every person in the corporation. The strategic plan is first communicated to all heads of departments who will prepare departmental work-plans that are aligned to the activities in the action plan. The departmental work-plans are then cascaded to respective departmental staff to prepare individual annual targets. In the final analysis, all staff individual targets, departmental work-plans, the detailed action plan, and the key corporate strategic objectives are aligned to one another.
4.6.1 Monitoring and Evaluation

PCK does Monitoring and Evaluation (M & E) whose ultimate purpose is to audit the performance, review strategies and ensure continued ownership of the strategic plan. To effectively monitor the implementation of strategies, programmes, projects and activities within the CSP period, participatory monitoring and evaluation approach apply. The M & E Strategy compliments the efforts to nurture the concept of performance management within the corporation. The study results revealed that Heads of Department and officers responsible for implementing specific activities outlined in the Action Plan are responsible for identifying and communicating any deviations and hindrances in the implementation process. Departments develop departmental work plans that relate specifically to the implementation of their programmed activities. Such work-plans will then be in-built in the M & E strategy to inform the progressive implementation of the Strategic Plan.

The study also revealed that Strategy Department would provide technical and logistical support during M & E. Monitoring activities involve the collection and analysis of financial and non-financial information on a periodic basis and evaluation is done to redefine the strategic framework where need arises. PCK may review its strategy mid-term in case environmental conditions change drastically to warrant a review.

4.6.2 Resource Requirements and Projected Financial Outcomes

The study revealed that PCK recognizes that implementation of the strategy requires resources and therefore planned for them in the developed strategy. Some of the resources would come from within the corporation while others would be sourced from outside. There would be outcomes from implementation of the strategy which are also disclosed in the
strategic plan. Financial self-sufficiency and sustainability was one of the core objectives of the strategic plan. During the plan period, PCK realized that it would be necessary to identify alternative sources of revenue to reduce dependency on mails services, streamline the collection of and accounting for revenue and lobby for funding of universal service obligations by the Government and other agencies. This would be complemented by structural changes that would ensure that resources were allocated to areas and operations that generate revenue. Of necessity therefore, was the support of non-income-generating roles within PCK that might need to be scaled down and rationalized.

PCK planned for rationalization of human and financial resources considered central to the attainment of the strategic objectives. The structural problems and capacity limitations would be addressed in the plan period to ensure that the resources were adequate and were optimally deployed for the benefit of the staff and the organization. Hybrid interventions that combined internal competencies and outsourcing resources were also considered whenever PCK was bound to benefit.

4.6.3 Summary of Resource Requirements

PCK estimated total funding requirement for realization of the planned Strategic Objectives as Kshs 1,112 million. The main source of revenue would be internal from key business lines that included mails, financial and courier services. These were likely to continue being the main source of funds for the Corporation. External sources targeted the provision of universal service obligations requirements through the various agencies of the Universal Postal Union whereby PCK will seek enhanced support from the Government. There is a scope for arrangements of private-public partnerships such as in respect of providing financial and agency services. Benefits include a stable infrastructure base at a lower investment cost to the
corporation. The corporation found it appropriate to plan for possibility of outsourcing certain activities subject to appropriate cost-benefit analyses and other considerations. This policy would be applied selectively to all non-core areas.

4.7 Factors that influence Strategy Development at PCK

The second objective of this study was to establish factors that influence strategy development at Postal Corporation of Kenya. The researcher found two major factors that influenced strategy development: results of review of performance of the previous CSP and environmental analysis.

4.7.1 Performance of the previous Corporate Strategic Plan

The study found that the CSP 2003 – 2007 facilitated implementation of the postal framework for excellence in service delivery. This was achieved through implementation of the following business goals: - Product Diversification, Improved Quality of Service, Improvement in Universal Postal Service Obligation, and Economic and Financial Viability.

PCK, by the end of the plan period, was able to make significant progress that included registering an average growth rate in net operating profit of 450% over the target of 113%. PCK also automated some processes that included the Human Resource Information System (HURIS) and the Postal Branch Information Management System (PBIMS). PCK developed Customer Service Standards and a Fleet Management Policy. Training on ISO was also undertaken in preparation for Certification. Service delivery had been improved through counter automation, training staff on customer care and meeting UPU delivery standards. Continuous monitoring of these standards had been undertaken. PCK had undertaken aggressive and customer-specific marketing for a number of products. This was through
“Below The Line” and “Above The Line” strategies. Launching and re-launching of products and services were also done across the board. Universal Service Obligations (USO) had been improved through opening of new postal outlets throughout the country. Strategic alliances in network expansion were also being pursued through partnerships. Courier service revenue improved from Kshs. 58.9m in 2001/2002 to Kshs. 113.9m in 2006/2007, way above the projected Kshs. 75m at the end of the plan period. Agencies grew steadily to over 50. In the Information and Communication Technology, ISP products using VSAT technology enabled PCK to open up rural areas by introducing internet services in about 400 outlets with 600 customer points.

The study also revealed that significant lessons learnt in the implementation of the CSP 2003 – 2007 formed the basis for the CSP 2008/09 - 2012/13. Customer focus enhanced resource utilization towards satisfying customers. Thus PCK, as in any other customer focused organization, must ensure that business procedures and practices anticipate the dynamism of customer needs.

It was also discovered that investment in ICT was increasingly becoming inevitable. However, the lifespan of the technologies is short due to the highly dynamic nature of ICT. PCK would thus be best served in completing and utilizing projects fast and after credible research into what best suits the organization (i.e. relevance, needs analysis, support, compatibility and integration, and cost benefit analyses). This would allow PCK to reap maximum benefit from technology.

The other lesson learnt was that a consultative process approach in plan formulation, implementation and evaluation is very important. Total involvement of staff will unify their
focus to the main goals of the Corporation towards plan implementation. PCK also noted that the entrenched organizational behaviour and practices that constitute an organization’s culture is often difficult to change in the short to medium term and could act as a bottleneck to achieving corporate objectives. The corporation appreciated its staff as its most important asset in the invaluable role they play in attainment of its goals. Therefore emphasis should be placed on competency based management, sound recruitment and retention policy, motivation and performance criteria, succession planning, leadership mentoring and clearly defined career path progression.

It was therefore the challenge for PCK to continue building on the momentum generated by CSP 2003 – 2007. The corporation had realized the need to redefine its management strategies so as to appropriately cope with the emerging situations. The new strategic plan included a vision, mission and values and recommended interventions that underpinned the operations of the organisation within the planned period. It sought to implement a structured and focused growth strategy within the plan period.

4.7.2 Environmental Analysis

The study established that PCK considers environmental analysis as the second factor during its strategic planning. The Corporation uses PESTLE and SWOT tools to analyze its environment. In using PESTLE during development of the CSP 2008/2009 to 2012/2013, Political dimensions considered were the increasing political co-operation and alliances on global and regional levels leading to sustained smooth inter boundary understanding in business operations; growing insecurity due to global terrorism that increases cost of operation due to security measures in logistics business; political instability hampering
universal postal service accessibility and democracy in business opportunities; and rising political consciousness across the world leading to high expectations by the citizenry in service delivery.

Economic dimensions indicated that the Kenyan economy as having continued to grow over the last five years meaning high disposable income to its citizens; formulation and the strengthening of regional trading blocks and customs duties increased strategic alliances, competition and expanded market segments for example East African Cooperation (EAC), Common Market for Eastern and Southern Africa (COMESA), New Partnership for Africa Development (NEPAD), African Growth and Opportunity Act (AGOA), and European Union - Africa, Caribbean and Pacific (EU-ACP); economic liberalization brought about multiplicity of postal operators in the market; increasing food and oil prices across the world hampered aggregate demand in the service industry that reduced profit; and rehabilitation of regional road and railway network sustained smooth operations in logistic undertaking.

Within the social dimensions, PCK noted increasing population growth having heightened unemployment, escalated crime rates and poor social amenities; increased corporate social concerns that attracted major and minor business operators in giving back to the community through corporate social responsibility programmes; achieving universal free primary education in Kenya, under Millennium Development Goals (MDG’s) raised the country’s literacy levels in rural and urban settings; increasing urban population across cities in the world led to profound labour mobility and the spread of divergent views on social setting; and the increasing percentage of youth population worldwide skewed demand towards e-driven mail communication.
Technological dimensions focused on the advent of global information-age phenomenon that led to a global decline in physical mail; dynamic technological development necessitated product innovation for instance hybrid mail, competition and E-Government initiative; and increasing computerization networks and integration exposed business functions to ICT based-risk mainly driven by cyber crime.

Legal dimensions consideration noted the development in international legislation towards the adherence to set global standards and requirements facilitating compliance by majority in postal operation; the provision for repeal of Postal Corporation Act 1998 within the National ICT Strategic Plan redefined PCK’s monopoly in certain postal services; and failure to operationalize the Universal Service Fund increased the cost of postal service delivery across the country.

Environmental dimensions considered the global warming threat that increased pressure towards the utilization of low carbon emission fuel vehicles that are costly; natural disasters gradually curtail universal postal service initiative in most of the affected areas in the world by the natural adversities for example earthquakes, floods and cyclones; and increasing environmental concern in service delivery led to pressures towards the usage of environmental friendly packaging materials in logistics business.

PCK noted that global operating environment had changed dramatically in the recent past years and there was nothing to suggest the pace of change was soon slowing down. They recognized the fact that they needed to adapt to rapid economic and social changes and keep pace with technological developments. Economic forces of deregulation, globalization, liberalization and to lesser extent, privatization had altered the postal landscape. Postal
services were changing as a result of increased competition and higher customer expectations. The new technology driven information society had brought a host of new ways to communicate and do business for example, e-mail and e-commerce. Postal operators had faced decreases in terms of volumes and revenue in letter post, expedited and parcels services leading to decline in market share. Non – designated operators have been growing in all regions at a much higher compounded annual growth rate in terms of volumes and revenue. The worst market performance of designated operators was in developing regions. On a positive note, growth was foreseen in cross-border letter volumes attributed to recovery and prosperity of the world’s economies and growth in SME segment.

In using SWOT to analyze environment during development of the CSP 2008/2009 to 2012/2013, PCK strengths were noted to include extensive geographical network for postal services, potential for diversified revenue streams, well known and powerful “Posta” brand, affiliation to UPU that is a specialized organ of the UN which opens the Corporation to global network, experienced and committed workforce, and long historical postal experience expanding over 100 years.

Weaknesses were listed as inadequate ICT infrastructure, lack of USO funding leading to high operational costs, and historical high financial pension liability. Opportunities in the PCK environment included growth potential for parcels and express courier business worldwide, new business potential through utilization of technological advancements, Public Private Partnerships, increased activities in the capital market operations, highly skilled populace, Kenyan population in the diaspora for enhanced financial services, and the existing good relationship between Government and Government agencies. Other growth opportunities were in international parcels posted, courier items handled and agency business. There were
no significant changes in domestic letters posted and money orders issued. Threats from PCK environment identified included liberalization and deregulation leading to market infiltration and price reduction, licensing framework that brought on board many players, and increasing commercial banks network. Decline was noted in international letters posted and domestic parcels posted.

4.8 Discussion

The study revealed that PCK developed the CSP 2008/2009 to 2012/2013 applying Rational Planning View. Ansoff (1988) reasons in Rational Planning View that crafting a strategy involves development and formulation of achievable objectives. Rational arguments and analytical considerations are the basis for explicitly formulated options or optimal solutions for defined problems. Models of rational planning are based on an assessment of opportunities and threats in the external environment, strengths and weaknesses in the internal environment. Thompson and Strickland, (1993) observe that the rationale for using the twin standard of good strategy making and good strategy execution to determine whether a company is well managed is therefore compelling: the better conceived a company strategy and the more competently it is executed, the more likely it is that the company will be a standout performer and exhibit enviable business practices.

On the contrary, Mintzberg (1994) contends that uncertainties and rapid environmental changes mean that a planning approach to strategy is not recommended in most cases and that the distinction between strategy development and implementation becomes unsustainable. Companies that want to outpace the competition throw out “the script” and improvise their way to new strategies Kanter (2002). Thomas and Strickland (1993) further argue that the
task of strategizing is always an ongoing exercise, partly in response to an ever-changing external environment, partly from managers’ efforts to create new opportunities and partly from fresh ideas about how to make the strategy work better. Everything cannot be planned out in advance. Even the best laid down plans must be responsive to changing conditions and unforeseen circumstances. Strategy development therefore proceeds on two fronts, one proactively thought in advance, second conceived in response to new developments, special opportunities and experiences with the successes and failures of prior strategic moves, approaches and actions.

The results of this study are also comparable to similar studies by Powell (1992), Aosa (1992), Shimba (1993), Morden (1999), Mbaya (2001), and Kitonyi (2008) that all concluded that organizations were faced with rapid changes in external and immediate environment and therefore turned to formal strategic planning activities. Those organizations flourished while that did not lost out.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This study sets to determine strategy development processes and establish factors that influence strategy development at Postal Corporation of Kenya. This chapter summarizes and concludes findings of the study and makes recommendations to PCK management on possible areas of improvement. It closes by stating limitations of the study and giving suggestions for further research.

5.2 Summary

The case study establishes that Postal Corporation of Kenya develops strategic plans that cover five years. The strategy development process follows top to down approach and takes approximately one year to complete. It closely follows the Rational Planning view that was expounded by Ansoff (1988). It starts with undertaking situation analysis using SWOT and PESTLE tools and review of performance of the recent past Corporate Strategic Plan. The management then develops vision, mission and core values. The third step is to develop key corporate strategic objectives. Finally, it develops a detailed action plan that includes resource requirements detailing strategies for mobilizing the required resources, and projected financial and statistical outcomes. PCK produces a blue-print that is widely shared within the Corporation as a first step towards implementation and aligning the corporation to the strategy.

All departments individually prepare annual work-plans from the detailed action plan in the blue-print. Staff in every department then prepares their individual annual targets from the
departmental work-plans. Monitoring and Evaluation is done continuously and reported formerly after every three months based on the action plan matrix and monitoring & evaluation implementation log frame. Depending on results of monitoring and evaluation, the CSP may be reviewed mid-term the plan period. This review concurs with Ansoff (1987) observation that due to constant change in operating environment, organizations have to constantly adapt their operations to reflect the new realities.

5.3 Conclusion

The finding that PCK develops its strategy every five years agrees with Bryson (1993) who argues that without strategic planning it is unlikely that organizations will successfully meet the numerous challenges that face them. He further states that strategic planning can help organizations improve performance, clarify future environment and deal with rapidly changing circumstances.

The results of this study further show that PCK develops formal strategy using the planning school of thought that adopts a top down approach (Mintzberg et al, 2002). Ansoff and McDonnell (1990) contend that explicit strategy becomes essential when rapid and discontinuous changes occur in the firm’s environment. Such conditions may be caused by saturation of traditional markets, technological changes, and sudden influx of new competitors. Under such conditions, established organizational traditions and experience no longer suffice for coping with the new opportunities and new threats. Without the benefit of a unifying strategy, chances are high that different parts of the organization will develop different, contradictory and ineffective responses.
The use of strategy development by PCK despite it having huge and nearly unrivalled network in the postal sector shows that strategy development is important for all companies irrespective of advantages they may be enjoying so long as they face challenges from their environment.

The study lends itself to conclusion that future profitability and existence of the corporation depend on continuous monitoring of external environment and crafting a strategy that matches internal capabilities of the organization with the environment. The rate of change today is more rapid than it has ever been in history. Therefore agility in strategic business development and execution is now more important than ever in maintaining the competitive advantage needed to keep an organization thriving and relevant.

5.4 Recommendation

The environment in which PCK operates is changing at a very fast pace. The corporation should recognize that everything cannot be planned for five years in advance. Instead the period between two successive CSPs should be shortened from five years to say two to three years. Even the best laid down plans must be responsive to changing conditions and unforeseen circumstances. Peters (1987) observes that strategy development needs to be rediscovered, whereby due to acceleration of change in the environment, strategic thinking should be flexible and adaptable, hence be timely in responding to the surprises which could be anticipated in advance. He argues that a good strategy planning process should be proactive, imaginative and risk taking.

PCK takes approximately one year to complete developing its strategy by which time the SWOT and PESTLE Analysis results would have changed. That period needs to be shortened
for the developed strategy to be more relevant. The corporation needs to adopt real time strategic responses as opposed to formalized strategy development that takes weeks or months to complete. Mintzberg (1994) preaches emergent strategy view saying that it is not possible to develop a perspective of future and formulate explicit objectives in an unpredictable environment. Instead, it is necessary to react in a flexible, opportunistic and accidental manner to new, unpredictable developments and “muddle through”. Organizations are regularly overtaken by developments, react in a non-structured manner and learn by their mistakes.

The study found that PCK can review its CSP mid-term if environmental conditions substantially change. As Mintzberg (1994) preaches PCK should make strategizing an ongoing exercise, partly in response to an ever-changing external environment, partly from managers’ efforts to create new opportunities and partly from fresh ideas about how to make the strategy work better. PCK’s strategy development therefore should proceed on two fronts, one proactively thought in advance, second conceived in response to new developments, special opportunities and experiences with the successes and failures of prior strategic moves, approaches and actions.

The results of the study revealed that strategy development process at PCK is top-down and involves few senior management team at near exclusion of junior staff. It is important to note that including many people has many advantages to organizations. Involving all stakeholders and staff improves quality of the strategy, improves employees understanding of the organization leading to improved motivation, reduces resistance to change, and improves successful implementation.
PCK as per research findings employs SWOT and PESTLE tools in doing situation analysis. It is better for the corporation to use more tools to get a better appraisal of the environment. Examples of other tools that could be used include Porter’s Five Forces framework (competitive advantage), Porter’s Generic Strategic Mix (Competitive Strategies), BCG’s Growth Share Mix Matrix.

5.5 Limitations of the Study

Postal Corporation of Kenya is a very large organization with more than three thousand staff. The study interviewed only eight senior staff. The study therefore focused on a small sample size that may not fairly represent the population. The findings of this study could therefore be limited to the views of the few members of the senior management only.

The study was only done in Nairobi yet the corporation had over seven hundred postal outlets spread in the eight regions or Provinces in Kenya. The researcher was constrained on resources in terms of time and money limiting the area of coverage to headquarters and Nairobi Regional Head Office at the City Square post office.

Time available for interviews with some senior managers was also minimal. The managers thus might not have given all that they knew about strategy development at PCK because the researcher did not do in-depth enquiry.

In some cases, interviews were done and clarification sought through telephone with minimal or without face to face interaction. That denied the researcher the chance to observe facial expressions which would have been important for the study.
The research being a case study had limitations unique to similar studies including being specific to Postal Corporation of Kenya. The findings therefore may not be necessarily applicable to other organizations.

5.6 Suggestions for Further Studies

This study focused only on Postal Corporation of Kenya. The researcher recommends that further research with similar objectives be done on other organizations affected by the same environmental factors, for instance, courier and communication companies, among others. This would give a clearer understanding of the industry as a whole.

The respondents in this study were few senior managers based in Nairobi. It is therefore suggested that similar study be done targeting more respondents from PCK postal outlets spread throughout the country. The process should have more resources to more in-depth interviews.

Strategies are as good as results they bring forth. Many strategies do not realize expected results because of many reasons. It would be interesting to read study results exploring implementation of the strategies developed by PCK.

Environment is known to be dynamic and changes with time. A study can be done to determine how PCK strategy development process and factors considered in strategy development process to future changes in the environment.

5.7 Implication on policy, theory and practice

The study findings provide a fresh perspective on strategic interventions that can be developed into guidelines to inform policies that may serve as key instruments for the overall firm strategic management and governing the basic conditions as well as the scope for future business activities.
From a corporate perspective, strategy can be seen as an approach to reach corporate goals to be successful on a long-term basis. Strategy development can be adopted in management and directed towards future growth potentials, substantial, holistic, and predominantly associated with the highest management level which determines the vision, mission, and culture of the enterprise. Strategic planning can also be developed and incorporated in strategic management to prepare for future contingencies and thus to account for environmental dynamics and complexity. This entails the need to build alternative future scenarios and alternatives.

Although small and medium-sized enterprises (SMEs) typically employ a major share of an economy’s total employees, SME management suffers from an insufficient business-related knowledge base that top managers in SMEs possess. Given the role of strategy development and strategic instruments in large companies and the notion that rational decision-making should prevail in enterprises regardless of size, there is need for an increased use of strategy development in SMEs.
REFERENCES


Postal Corporation of Kenya. (n.d.). Postal History. Developed by Corporate Communications Department


APPENDIX
INTERVIEW GUIDE

1. Vision, Mission and Objectives

a) Does PCK have vision and mission statement?
b) Are the vision and mission statement both written?
c) Does PCK set performance objectives and targets?
d) If yes, at what intervals are objectives and performance targets set?
e) Who participates in setting objectives?
f) Who participates in setting targets?
g) Is everyone in PCK aware of these objectives?
h) How does PCK communicate these objectives?

2. Strategy Development at Postal Corporation of Kenya

a) What type of plans does PCK develop: Operational, Statistical, Financial, Others (specify)?
b) What time periods do these plans cover? 0-1yr, 1-3yrs, 3-5yrs, 5yrs+, others (specify)?
c) Are these plans written once they are developed?
d) What factors do you consider when developing strategy?
e) Describe in detail each of the steps undertaken in strategy development.
f) What management tools does PCK use in strategy development? SWOT, PEST, PESTEL, others describe?
g) Describe the stakeholders involved in strategy development and the roles each play.
h) Who are PCK competitors?
i) Does PCK regularly collect information about its competitors? If so, how often?

j) What factors do you consider important regarding your competitors?

k) Does PCK monitor and evaluate its strategic plan? If so, how often?

l) Does PCK review its strategic plan? If so, how often?

m) What influences review of the strategic plan?

Thank you