CHALLENGES OF STRATEGY IMPLEMENTATION AT THE INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION, KENYA

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DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:

…………………………………………..Date:…………………………………

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D61/64621/2011

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

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

MR. J. KAGWE

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DEDICATION

I dedicate this project to my entire family who have been there for me through my academic life.

ACKNOWLEDGEMENT

I take this opportunity to give thanks to the Almighty God for seeing me through the completion of this project.

I am greatly indebted to my supervisor, Mr. J. Kagwe, for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you.

The entire staff of ICDC cannot pass without my special acknowledgement for taking time off their busy schedule to provide me with all the information I needed in the course of the research. Without their immense cooperation I would not have reached this far.

Thank you all. May the Almighty God bless you.

TABLE OF CONTENTS

ABSTRACT

Strategy, which is a fundamental management tool in any organization, is a multi-dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment. Strategic management is, hence, both a skill and an art. Good strategic management requires both clear thought and sound judgment. The objectives of the study were to determine the challenges of strategy implementation at ICDC and to establish measures taken by ICDC to cope with the challenges faced in strategy Implementation. The study was conducted through a case study design. It involves an in-depth understanding of the challenges of strategy implementation within DFIs organization in Kenya. The researcher used an interview guide as primary data collection instrument. The study was analyzed through content analysis. The study found that communication played a very important role in communicating the strategic plans. Efficient communication ensures proper coordination of teams involved, time frame, amount of money to be used, objectives of the strategy and the role of each team member involved in the implementation. It found that the content of communications should clearly explain new responsibilities, tasks, and duties that need to be performed by the affected employees. The study found that teamwork affected strategy implementation. By the use of teamwork, the elementary problems are prevented or solved at the source and getting the job done becomes the primary goal of management and workers. It found that there has been conflicting priorities during strategy implementation. It found that most important strategies were left unimplemented while the least important were implemented. The study found that administrative challenge hinders successful implementation of strategic plans. Administration styles matters in strategy implementation. The study found that leadership was a big challenge to the process. They supported this by pointing out the various kinds of challenges faced by the organization that resulted by the leadership in place. First, rigidity and bureaucracy together with the failure to embrace new ideas and innovational technology in business was noted as a challenge. The study found that remedial measures paused by ICDC to cope with strategy challenges include hiring of experts to engage senior management on the need for change, in addition they proposed that retreats for senior management and the board ought to be scheduled to discuss the need for strategy implementation. The study recommended that future strategy formulation should ensure the participation of all staff as well other stakeholders. This will enrich ownership of the final strategy as well as facilitate successful implementation. Secondly, ICDC should review its organizational structure in view of the current strategic plan. It concluded that inconsistencies and gaps between the plan and its objectives and the current organizational structure. Successful implementation of a plan ought to be matched with an efficient organization structure tailored to achieve its goals. It suggested that there is also a need to undertake a study to determine the link between strategy development and failure in strategy implementation in DFIs considering that there has been an increase in commercial banks and micro finance institutions, perhaps a study should be conducted to establish whether or not DFIs are necessary in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In the modern business environment, companies need to be flexible and respond quickly to changes in the market and competition (Porter, 1996). These responses constitute of analyzing the situation and formulating a suitable strategy. Well-formulated strategies are however not enough as they produce value only when they are successfully implemented (Bonoma, 1984). Researchers have revealed a number of problems in strategy implementation which include: weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Galpin, 1998; Lares-Mankki, 1994; Beer and Eisenstat, 2000).

The Industrial and Commercial Development Corporation (ICDC) was established by the act of parliament, chapter 445, to facilitate industrial and economic development in Kenya. The corporation provides a wide range of financial services including; equity financing, venture capital, industrial loans, commercial loans, personal loans, motor vehicles purchase loans. The corporation generates its own funds investment and recurrent expenditure. Successful strategy implementation at the corporation is important for it to perform its duties effectively.

1.1.1 Strategy Implementation

Johnson and scholes (2002) defines strategy implementation as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholders' expectations. Strategic is a general plan for the way a company can deploy its skills and resources in order to achieves its overall goals (David 2003)

According to peace and Robinson (1997) strategic implementation can be seen as a combination of strategic formulation and strategy implementation. Strategy implementation involves doing a situation analysis of both internal and external environment, setting the vision, mission and objectives of the organization, and suggestion a strategic plan to achieve the set objectives. Strategy implementation involves allocating sufficient resources, establishing chains of command and reporting structure, assigning responsibility of specific tasks and process to specific individuals or groups and managing the process. Strategy formation and implementation is an on-going, never ending, integrated process requiring continuous reassessment and reformation.

The main critical phase of strategic management process is translating the strategic plan into actions (Pearce and Robison, 1997). Once strategies have been formulated, the need to be implemented for the company to at in its objectives. The strategies need to be translated from high level conceptual term into more detailed policies that can be understood at the functional areas such as marketing. Research and development, production, human recourses finance and information communication and technology.

David (1997) stated that only 100%of formulated strategies are successfully implemented while 90% of well formulated strategies fill at implementation stage. Ansoff and McDonnell (1990) noted that while implementing strategy is such an important activity, it is not easy. most excellent strategies fail when attempts to implement them are made. according to Pearce and Robinson(2002)the reason that have been advanced for the success or failure of strategic implementation revolves around nature of the short term objectives and sub-strategies, the allocation of resources, the fit between structure and strategy, leadership, communication process and the o0rganization culture.

The implementation of the appropriate strategic remains one of the most difficult areas of management. Considerable thought, energy and resources is given over to devising a strategic plan. Mintzberg (1994) noted that the plan, rather than the implementation comes in for scrutiny when a strategy fails because it is less problematic to analyze. But the whole point of strategic is that it will be implemented and implemented successfully. Effective implementation results when organization resources and actions are tied to strategic priorities and set objectives achieved, and when key success factors are identified and performance measure and repotting are aligned (Deloitte and touché 2003).

1.1.2 Development Financial Institutions in Kenya

Development finance institutions (DFIs) are specialized financial agencies that are owned by national governments or international bodies. Third mandate I to facilitate the industrial and economic development of the country by providing affordable funds and financial services. They enable the government to achieve it development goals. In Kenya DFIs provide funds, either as equity participation, loans or guarantees, to foreign or domestic investors. These investors initiate and develop projects in industrial fields which the traditional commercial banks are reluctant to invest in without some form of official involvement. DFIs are fundamental in the small and medium enterprises where micro loans, traditionally viewed as high risk, form the bulk of investment activity.

DFIs source their capital from national and international development funds or benefit from government backing which ensures their credit –worthiness. Their investment activities focus mainly on economic performance. Return on investment mark a departure from the past in a bid to reduce dependence on development aid, but encourage the entrepreneurial spirit. DFIs are very largely influeced by the policies of governments. They act as the investment agent for the government is social projects or programmes on a fully funded basis with agreed funds structure. Their strategy formulation and implementation is highly influenced by the government.

In Kenya DFIs include the industrial and commercial development corporation (ICDC), Kenya industrial estates (KIE). Industrial development bank (IDB), agricultural finance corporation (AFC).and Kenya tourist development corporation (KTDC). Among all these

DFIs ICDC is the pioneer and the oldest DFIs in Kenya having been incorporated in 1954.KIE was incorporated in he year 1967 and until 1978 it operated as a subsidiary of ICDC. IDB was incorporated in 1973, AFC in 1963 and KTDC in 1965 (Center for Governance and Development, 2005).

ICDC in partnership with both local and foreign private investors has played a leading ole as a provider of investing capital for industrial and commercial ventures thus facilitating and promoting the economic development of the county. According to the ICDC Website (2006) the corporation has over 15,000 small and medium enterprises distributed in all regions of the country and covering diverse sectors of the economy (manufacturing, agricultural, Tourism, Commerce, property and service industries).the cumulative amount disbursed to these enterprises is in excess of Kshs. 3.0 billion. It has also invested in over 105 companies in its equity portfolio.Since ICDC investment cut across all the sectors of the economy, it is an appropriate representative of all the other DFIs in Kenya. It continues to play a key role in industrialization of Kenyan economy and empowerment of Kenyan people after independence. It has serve the people of Kenyan for 52 years (1954-2006).

1.1.3 Industrial and Commercial Development Corporation (ICDC)

Industrial Development Corporation was established thought an act of parliament, chapter445 (formally published as chapter 517) of the laws of Kenya, in 1954. According to the act, it was established in order to facilitate industrial and economic development in Kenya. In the pre-independence era its aim was to provide equity funding. Industrial loans programme which was main vehicle for investment was started in 1960. with the name to industrial and commercial development corporation (ICDC) in order to better describe its functions in post era.

According to the, ICDC Act, Cha p445 (1962) the corporation was its purpose by initiation, assistance or expansion, or by aiding in the initiation, assistance or expansion of industrial, commercial or other undertaking of enterprises in Kenya or elsewhere. Currently it provides a wide range of financial services including; equity financing, venture capital, industrial loans, commercial loans, personal loans, motor vehicles purchase loans. The corporation is not founded by the Treasury. It is to generate its own funds investment and recurrent expenditure.

According to the ICDC website (2006), its principal office is located at Uchumi house, Aga Khan Walk, Nairobi. it has nine regional offices in Eldoret, Kisumu,kisii, Kakamega, Mombasa, Nyeri Meru, Nakuru, and Machakos. It is managed by a board of directors appointed by the government of Kenya. ICDC has invested and helped to set up directors appointed by the government of Kenya. ICDC has invested and helped to set up most of the blue chip companies in the country. These include ICDC investment company limited, general motors Kenya, Eveready batteries limited, AOM Minet insurance company limited, mount Kenya bottlers limited, Rift valley Bottlers Limited, KENATCO Taxis, Kenya National trading Corporation (KNTC) RIVATEX rift Valley Textile Company Limited), SONY Sugar (South Nyanza Sugar Company Limited) and Kisii Bottlers Limited.

In line with the current government's Privatization Programme, the Corporation has fully or partially divested from 35 subsidiary and associate companies. Some of the Companies that the Corporation has divested from include: East Africa Industries Limited (EAI LTD) (now Unilever (K) ltd), fire stone (EA) LTD., Milling Corporation of Kenya Ltd., Kenya Cashewnuts Ltd. and Kenya Industrial Plastics Ltd.

ICDC has had two documented five years corporate strategic plans. The first one was for the period 1999-2004and the second one for the period 2004- 2009. The Corporate priorities in the plans focused on improving profitability, liquidity, information technology, staffing and productivity, financial discipline, corporate culture and image, and marketing, research and publicity functions (ICDC Corporate Plan, 2004).

Being a financial institution, ICDC operates in the liberalized financial economy where competition is very high. The competitors in the financial market include: commercial banks, insurance companies, micro-finance institutions, co-operative societies, mortgage companies, investment companies and other DFIs.

1.2 Research Problem

The products and serving in the financial market change very fast based on the customers' needs and the prevailing economic conditions. On one hand ICDC is expected to implement its strategic plans and cope with the changing financial market needs. On the other hand it is owned by the government which directs its operations. It has to implement government policy which depends on the political environment. ICDC is also expected to generate enough funds to meet its operation costs and pay divides to the government. Further it is expected to implement the government social –political agenda.

Strategy implementations involve translating the strategic plans into action. In view of the government involvement in their operations and the competitive environment in which they operate in. Unlike the commercial banks the government controls decisions made by ICDC. This hinders its ability to adopt to the changes in the market. This study will address how are bound to change every five years when a new government is elected into office.

Strategy implementation and its challenges has attracted wide attention, (for example: Aosa, 1992; Awino, 2001; Koske, 2003; Musyoki, 2003; muthuiya, 2004; Michael, 2004; Machui, 2005 Ochanda, 2005). However strategy implementation in DFIs has not received the same attention as other organization which are profit making or non governmental organizations. One research has also been carried out on the DFIs (Njoroge, 2003) which relates to strategy formulation and one on strategy implementation and its challenges at Kenya Industrial Estates and recommended that further research should be carried out on other DFIs. This study sought to investigate the challenges of strategy implementation at ICDC and identified measures taken by ICDC to cope with the strategy implementation challenges.

1.3 Research Objectives

The research sought to achieve the following objectives:

i. To determine the challenges of strategy implementation at ICDC, and
ii. To establish measures taken by ICDC to cope with the challenges faced in strategy Implementation.

1.4 Value of the Study

Findings of this study are likely to benefit the management of ICDC on how to successfully implement their strategies. ICDC will be able to appreciate the challenges faced during strategy implementation. It is believed that this will assist them in embracing the proposed strategies which may lead to more sustainable strategies. To the government. The study was of interest to the Government in formulating and fine tuning the policies and regulation. It is hoped that that study may unearth areas of disparity of interest to policy makers in the government

Academicians/ researchers will also benefit from this study since it will contribute to the existing body of knowledge and also suggest possible areas of improvement. It will also be helpful to other academicians and researchers in the development financial sector who will want to understand challenges faced during strategy implementation.

Other DFIs and stakeholders, donors, and other interested parties will also benefit from the findings of the study on strategy implementation and enable them to make informed decisions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents previous studies that have been done on strategic implementation process. The chapter covers the theoretical basis of the study, challenges of strategy implementation and coping with challenges of strategy implementation.

2.2 The Theoretical Basis of the Study

Although the resource-based view (RBV) has emerged as one of the substantial theories of strategic management, it is said that it has overlooked the role of entrepreneurial strategies and entrepreneurial abilities as one of the crucial sources of the competitive advantage of a firm. Even today, when entrepreneurship research is in demand, most economic research, and consequently much of strategic management research, views entrepreneurship as the "specter which haunts economic model" (Baumol, 1997: 17)

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Peteraf and Barney, 2003). Selznick (1957), who originated the concept of distinctive competence, placed the idea of commitment at the very center of his theory. He contends that the organization accumulates the resources that provide it with distinctive competence such as talented and committed personnel, an esteemed reputation, a strong culture, or supportive external relationships only by making binding commitments to specific goals, practices, structures, and standards.

It is expected that resource dependency theory will determine the extent to which environmental dependency and uncertainty act as drivers for an organization to embark on variety of controlling strategies to manage the competitive environment to improve organization performance (Nickol, 2006). The essence of environmental resource dependency perspective is that superior organizational performance results primarily from managing dependencies and uncertainty. Choosing the appropriate strategies in which to proactively influence and thereby control the environment to its advantage should be a consideration in strategic decision-making as this will open an option for the firm to contribute or withhold an important resource or input which can then be used as leverage in bargaining with its partner or customer (Rokkan & Haugland, 2002). From dependency theoretical framework, it is expected that strategic change management such as altering organizational interdependence through integration, merger and diversification, establishing collective structures to form a negotiated environment and using legal, political or social action to form a created environment will influence achievement of an organization's performance.

2.3 Strategy Implementation

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2.4 Challenges of Strategy Implementation

According to Johnson and Scholes (20002) the implementation of appropriate strategies remains one of the most difficult areas of management. Considerable thought, energy and resources is given over to devising a strategic plan. It is the fine detail of the plan that attention turns to when things go wrong. Mintberg (1994) noted that the plan, rather than 14 the implementation comes in for security, because it is less problematic to analyze. Perhaps this is because, whereas the plan can be devised under pollution –free, almost laboratory conditions, the working out of the plan takes place in the real world infected with real word variables (porter, 19960. but the whole point of a strategy is that it will be implemented and implemented successfully.

Thomas and Strickland (1998)states that strategy implementation challenges is to create a series of tight fits between strategy and budgetary allocation; between strategy and policy; between strategy and internal support system; between strategy and reward structure and between strategy and reward structure and between strategy and corporate culture. The problem of strategy implementation relate to situation or processes that are unique to a particular organization. Muthuiya (2004) states that the key decision makers should therefore pay regular to the implementation process inorder to focus on any difficulties that arise and on how to address them.

According to Pearce and Robinson (1997) challenges can arise when attempts are made to implement strategy. These challenges may arise from external or internal sources. The y are classified in the following categories. First is poor strategy. Due to a number of reasons, manager may have selected an inappropriate strategy. Implementation such a strategy therefore becomes a futile exercise. Second is poor implementation. While the strategy selected may be sound, implementation procedures can be flawed. Here again, efforts to execute strategy are impaired. Third is failure to couple strategy development and implementation. The management and all staff need to e involved in the strategy formulation so that during implementation every one is aware f the strategic direction that the organization is taking.

Strategy development and implementation should be seen together (Andrew 1980).persons who implements the strategy plan should be involved in its development. Separation of strategy and implementation may lead to a situation where critical implementation issues are left out of consideration during the strategy formulation phase. Effective strategy formulation becomes difficult in such cases.

Insufficiency funds is another common strategy implementation challenge. This may be as a result of lack of resources which include financial and human or indivisibility of resources. Established organizations may experience changes in the business environment that can make a large part of their resource base redundant resources, which may be unable to free sufficient funds to invest in the new resources that are needed and their cost base will be too high (Johnson and Scholes, 2002).

Changes do not implement themselves and it is only people that make them happen (Bryson, 2005). Selecting people for the key positions by putting a strong management team with the right personal chemistry and mix of skills is one of the first strategy implementation steps (Thompson and Strickland, 2003). They point out that assembling a capable team is one of the cornerstones of the organization-building task. Strategy implementation must determine the kind of core management team they need to execute the strategy and then find the right people to fill each slot. Staffing issues can involve new people with skills (Hunger and Wheelen, 2005). Bryson (2005) observes that people's intellect creativity, skills, experience and commitment are necessary towards effective implementation. However selecting able people for key positions remains a challenge to many organizations.

To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency and instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Rapa and Kauffman, 2005). The most important thing when implementing a strategy is the top level management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategy implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Rapa and Kauffman, 2005).

At first look, the suggestion that communication aspects should be emphasized in the implementation process seems to be a very simple one. Even though studies point out that communication is a key success factor within strategy implementation (Miniace and Falter, 1996), communicating with employees concerning issues related to the strategy implementation is frequently delayed until the changes have already crystallized. In this context, many organizations are faced with the challenge of lack of institution of a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to inability to solicit questions and feedback, lack of communications cause more harm as the employees are not told about the new requirements, tasks and activities to be performed by the affected employees, and, furthermore, cover the reason behind changed circumstances (Alexander, 1985).

It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. However, one may misunderstand communication, or the sharing of information, as engagement and direct dialogue that produces lack of active participation in the process. Lares-Mankki (1994) examined the effects of top management's practices on employee commitment, job satisfaction, and role uncertainty by surveying 862 insurance company workers. Five management practices are analyzed: creating and sharing an organizational goal, acting as a role model, encouraging creativeness, providing support for employees, and allowing employee participation in making job-related decisions. The results indicate that there is a strong relationship between top management's actions and employees' attitudes and perceptions.

Another major challenges in strategy implementation appears to be cultural and behavioral in nature, including the impact of poor integration of activities and diminished feelings of ownership and commitment (Aaltonen and Ikåvalko, 2002). Marginson, (2002) contend that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

2.5 Coping with Challenges of Strategy Implementation

The strategy implementation process normally requires much more energy and time than the mere formulation of the strategy. A creative chaos can be advantageous for the formulation phase whereas the more administrative strategy implementation phase demands discipline, planning, motivation and controlling processes (Alexander 1985).

The second most important thing to understand is that strategy implementation is not a top-down-approach. The success of any implementation effort depends on the level of involvement of middle managers. To generate the required acceptance for the implementation as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Tavakoli and Perks 2001).

Communication aspects should be emphasized in the implementation process seems to be a very simple one. Even though studies point out that communication is a key success factor within strategy implementation (Miniace and Falter, 1996), communicating with employees concerning issues related to the strategy implementation is frequently delayed until the changes have already crystallized.

Traditional strategy implementation concepts generally over-emphasize the structural aspects and reduce the whole effort down to an organizational exercise. It is dangerous, however, when implementing a new strategy, to ignore the other existing components. Strategy implementation requires an integrative point of view. Not only the organizational structure, but cultural aspects and the human resources perspective are to be considered as well. An implementation effort is ideally a boundary less set of activities and does not concentrate on implications of only one component, e.g. the organizational structure (Aaltonen and Ikavalko, 2001).

Teamwork plays an important role within the process of strategy implementation. When it comes down to implementation activities, however, it is often forgotten. It is indisputable, that teams can play an important part to promote the implementation (Drazin and Howard, 1984). To build up effective teams within strategy implementation the Myers-Briggs typology can be useful to ascertain person-to-person differences. Differences in personality can result in serious inconsistencies in how strategies are understood and acted on. Recognizing different personality types and learning how to handle them effectively is a skill that can be taught.

To facilitate the implementation in general implementation instruments should be applied to support the processes adequately. Two implementation instruments are the balanced scorecard and supportive software solutions. The balanced scorecard is a popular and prevalent management system that considers financial as well as non-financial measures. It provides a functionality to translate a company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993). When it comes to meeting the criteria of a strategy implementation instrument, there is an excellent fit. The individual character of each balanced scorecard assures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the implementation process. It is a comprehensive management system, which can support the steering of the implementation process.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses an outline of the methods that were is used in this study. It covers the research design, data collection methods and comes to a conclusion with the data analysis and presentation methods that were used in this study.

3.2 Research Design

The research was conducted through a case study design. As Ngechu (2004), states, the use of case study comes in handy when an in depth investigation of an individual group, institution or phenomenon is required. It involves an in-depth understanding of the challenges of strategy implementation within DFIs organization in Kenya. Ngechu (2004) indicates that a case study, in most cases, involves qualitative data.

The design will be valuable for an in-depth contextual analysis. ICDC being the biggest and the oldest ICDCs organization in Kenya was used as the representative of all the ICDCs. It had investments across all the sectors of the economy and played a key role in the economic development in the country. The study used the social science research methodology. The scope of the study as the implementation of the ICDCs strategic plans.

3.3 Data Collection

The researcher used an interview guide as primary data collection instrument. The interview guide consisted of open-ended questions aimed at obtaining information relevant to this study. Cooper and Schindler (2003) states that an interview guide is useful in directing the researcher towards the topic under study. It helps one to know what to ask about, in what sequence, how to pose questions and how to pose follow-ups.

Data was collected from the management team of ICDC. ICDC has 11 departments namely human resource, finance, accounting, marketing, administration, ICT, business development, public relations, research and development, internal audit and risk management. The heads of departments were therefore the respondents. This is because strategy is well understood by the management and it is the one involved in strategy formulation. The management team also involved in the implementation process.

3.4 Data Analysis

Data analysis means categorizing, ordering, manipulating and summarizing of data to obtain answers to research questions (Karlirger, 2000). Before processing the responses, the completed interview guide were edited for completeness and consistency. Content analysis technique was used to analyze the data collected. This was a systematic detailed qualitative description of the objectives of the study. It involved observation and detailed description of objects, items or things that comprise the study.

This method made it possible to analyze and logically group the large quantity of data and compile the rest of the study. The data was presented in prose for easy understanding and interpretations. Content analysis was used to present the findings. Findings were discussed as presented by the respondents and were discussed in line with literature.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. The research objectives for this study were to determine the challenges of strategy implementation at ICDC and to establish measures taken by ICDC to cope with the challenges faced in the strategy implementation. The researcher collected secondary data through the interview guide.

4.2 Challenges of Strategy Implementation

The study sought to determine the challenges of strategy implementation at ICDC. Interviews were conducted on management team of ICDC and findings were presented in prose form in this section.

The interviewers agreed that the culture in their organization hindered its implementation of strategy. The culture factors that were identified by the respondents varied and included the following: resistance to change and the fear of the unknown. Interviewers indicated that there is a certain number of senior staff members that are used to a certain ways of doing things in the organization and whenever new changes were introduced or change of strategy was required to capture a certain opportunity or counter a given threat, the same group would be slow in decision making that lead to the loss of opportunity. The respondents observed that when employees were used to a given way of life or doing things normally new ideas are seen as a threat to the existing culture and will naturally be resisted. The customers influence on the implementation of the organization strategy was also noted as a challenge. ICDC has known its customers to desire high level of service quality and also abhorring high level of expectation. Thus in some circumstances, noted the respondents, the high expectations from the customers hindered changes in strategy of the organization because of the fear of losing some of the customers.

The researcher also wished to get from the respondents how they overcame the challenges posed by the values and beliefs shared by the organization employees and still ensured the maintenance of the organization culture. The respondents did indicate that the involvement of the senior management in strategy implementation and training together with communication of benefits of changing the strategy to all staff were key ways to overcome most of the challenges realized in strategy implementation. One of the respondents noted that whenever ICDC took the employees through the benefits of changing a particular strategy, they encountered less challenges in its implementation. In addition, the respondents recommended the openness of board meetings to create an all-inclusive process where not only the staff but also the customers could feel part and parcel of the process. As a result, the respondents also indicated that customer centric approach together with education and innovation as core to overcoming these challenges.

On the role of communication in implementation of strategies, the directors indicated that communication played a very important role in communicating the strategic plans. Efficient communication ensures proper coordination of teams involved, time frame, amount of money to be used, objectives of the strategy and the role of each team member involved in the implementation. They further indicated that the content of communications should clearly explain new responsibilities, tasks, and duties that need to be performed by the affected employees. The modes of communication adopted in an organization should clearly communicate the reason why the strategic decisions were made.

In the question of how values and beliefs of the organization could be enhanced, the respondents indicated that teamwork, and partnership in product development and innovations would go a long way in enhancing cooperation in the organizations staff. The respondents had mixed reactions when it came to the question on the values and beliefs shared by the organization members posed a challenge to the process of strategy implementation. Three of the respondents observed that conformity to existing values and traditions would lead to the loss of perspective of the new strategy which they said could result to delays, waste of resources and time loss, the respondents who agreed with the question argued that the integration with partners posed a big challenge that required a lot of innovation to be overcome.

Interviewers indicated that teamwork affected strategy implementation. By the use of teamwork, the elementary problems are prevented or solved at the source and getting the job done becomes the primary goal of management and workers. The respondents further indicated that lack of teamwork results from the tendency among individuals or among groups to have different perception of organizational mission, vision and goals. Lack of team work also results from low job satisfaction due to low pays and leadership style adopted in the organization. They also indicated that the senior leadership team has to identify the potential conflicts inherent in achieving the top goals and resolve them. This requires trade-offs and negotiation and can require difficult conversations about resource allocation and expectations concerning the work of each executive or staff.

The respondents were requested to indicate whether they had experienced conflicting priorities as a challenge while implementing strategies at the ICDC. All the directors and top level managers said that they had experienced conflicting priorities as a challenge while implementing strategies at the ICDC. The respondents said that most important strategies were left unimplemented while the least important were implemented. In their view they added that though the top strategies of the organization may be agreed upon, how to achieve them may expose conflicting priorities and agendas among leaders. For example, two executives may need the time and attention of a third executive, who has priorities of their own. Consequently, the third executive may choose to pursue his or her agenda rather than those of the other two, even if they are the priorities of the organization.

All the respondents said that an administrative challenge hinders successful implementation of strategic plans. Administration styles matters in strategy implementation. Management styles influence level of motivation which subsequently influences the strategy implementation. The respondents indicated that command-andcontrol leadership drains off ambition of workers who in turn remain less committed to implementation of strategic plans. If the leadership style enhances workers responsibility, their ambition increases leading to commitment to the implementation of strategic plans. Moreover, self-motivated employees will not accept authority controlled environments instead they will find a way to escape if trapped. In a team-motivated environment, dependency types will become inspired and strive to be acceptable with independent thinking coworkers hence increasing strategy implementation pace.

According to the interviewees, other challenges faced in strategy implementation at ICDC include poor planning, lack of support, non involvement, inadequate knowhow on the key stages, poor coordination, poor communication, unclear strategic intentions, conflicting priorities, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, competing activities and uncontrollable environmental factors. The researcher further asked the interviewees to suggest the possible solutions to the challenges of strategy implementation at the ICDC. According to the interviewees, the solution to the problems include continuous training on how the strategy should be implemented; involvement of staff in decision making, consider piloting before rolling it out to everyone, appraise achievements, sharing responsibility, efficient communication, defined and clear process flow.

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

The respondents said employees played one role or another in the implementation process of the firms' strategy. They enumerated some of these roles to include, formulation of strategic objective and execution of specific activities in order to realize the said plans. They argued that since policies were formulated to enable the organization better itself, employees were in a way directly involved in implementing strategies though with the help of line managers e.g. if a new system was introduced, employees are the ones to implement the same and hence this group constitute a critical group.

Asked whether at times they faced resistance from the employees in relation to strategy implementation, the respondents were in full agreement adding that at times there was lack of commitment to buying new ideas and diminishing feelings of ownership to the new policies. They outlined some of the ways on how to overcome these resistances to include the involvement of all the staff in devising strategic objectives, communication, motivating employees and encouraging team work together with frequent recognition of employee's achievement. The respondents further added that dissemination of vision through constant communication was paramount in overcoming resistances as the employees would feel part of the process.

4.3 Measures Taken By ICDC to Cope With the Challenges

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

The respondents indicated that the company had strategic goals and initiatives to improve communication skills within the organisation and with clients so as to improve the employees’ productivity and the organisations earnings. The company was also set to use company’s newsletter to communicate strategy objectives, teams involved and the role of each and every team member. The newsletter should also communicate projects time frame, total cost of the strategy and goals and objective of the strategy.

In coping with the challenges in strategy implementation the managers also indicated that the organisation was offering training to the employees. The training comprised of timely delivery of drawings, documents, estimates and minutes, improved communication skills within the company and with clients, understanding customers and their expectations, post contract follow ups, punctuality to meetings, projects post mortem and accurate and realistic financial advice. The respondents also indicated that the organisation was considering financial and non-financial rewards to its employees.

They further added that the organisation was taking advantage of the fibre optic cabling to improve its ICT infrastructure. They also indicated that the organisation was encouraging teamwork among the employees as well as improving its management structure

Each level of leadership has to clearly articulate the goals of the organization to their subordinates and what their role in achieving that aim is. Each rung of the leadership must identify the tasks that must be done and then focus the efforts of their employees on those two or three big actions. The senior leadership team has to identify the potential conflicts inherent in achieving the top goals and resolve them. This requires trade-offs and negotiation and can require difficult conversations about resource allocation and expectations concerning the work of each executive or staff.

If the deadline for a particular project is looming it provides a powerful incentive for getting the work done. Regular check-ins provide a framework for ensuring that staff accomplishes their designated tasks. Holding staff accountable for not achieving those tasks that they said they would is another means of ensuring that the plan's main goals get implemented. Staff must understand what they are responsible for and what the ramifications are for not carrying out those actions.

Implementation of the strategic plan is the most important aspect of planning. Identifying the barriers to implementation and overcoming them is a key success factor for any organization. Teamwork, resolution of conflicting priorities or hidden agendas and accountability will help ensure the implementation of the organization's two to three top goals.

4.4 Discussion

Culture factors that were identified by the respondents varied and included the following: resistance to change and the fear of the unknown. It found that there is a certain number of senior staff members that are used to a certain ways of doing things in the organization and whenever new changes were introduced or change of strategy was required to capture a certain opportunity or counter a given threat, the same group would be slow in decision making that lead to the loss of opportunity. The communication played a very important role in communicating the strategic plans. Efficient communication ensures proper coordination of teams involved, time frame, amount of money to be used, objectives of the strategy and the role of each team member involved in the implementation.

Thomas and Strickland (1998)states that strategy implementation challenges is to create a series of tight fits between strategy and budgetary allocation; between strategy and policy; between strategy and internal support system; between strategy and reward structure and between strategy and reward structure and between strategy and corporate culture. The problem of strategy implementation relate to situation or processes that are unique to a particular organization. Muthuiya (2004) states that the key decision makers should therefore pay regular to the implementation process inorder to focus on any difficulties that arise and on how to address them.

According to Pearce and Robinson (1997) challenges can arise when attempts are made to implement strategy. These challenges may arise from external or internal sources. The y are classified in the following categories. First is poor strategy. Due to a number of reasons, manager may have selected an inappropriate strategy. Implementation such a strategy therefore becomes a futile exercise. Second is poor implementation. While the strategy selected may be sound, implementation procedures can be flawed. Here again, efforts to execute strategy are impaired. Third is failure to couple strategy development and implementation. The management and all staff need to e involved in the strategy formulation so that during implementation every one is aware f the strategic direction that the organization is taking.

Strategy development and implementation should be seen together (Andrew 1980).persons who implements the strategy plan should be involved in its development. Separation of strategy and implementation may lead to a situation where critical implementation issues are left out of consideration during the strategy formulation phase. Effective strategy formulation becomes difficult in such cases.

Insufficiency funds is another common strategy implementation challenge. This may be as a result of lack of resources which include financial and human or indivisibility of resources. Established organizations may experience changes in the business environment that can make a large part of their resource base redundant resources, which may be unable to free sufficient funds to invest in the new resources that are needed and their cost base will be too high (Johnson and Scholes, 2002).

On theory, the study found that conformity to existing values and traditions would lead to the loss of perspective of the new strategy which they said could result to delays, waste of resources and time loss, the respondents who agreed with the question argued that the integration with partners posed a big challenge that required a lot of innovation to be overcome. The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Peteraf and Barney, 2003). Selznick (1957), who originated the concept of distinctive competence, placed the idea of commitment at the very center of his theory. He contends that the organization accumulates the resources that provide it with distinctive competence such as talented and committed personnel, an esteemed reputation, a strong culture, or supportive external relationships only by making binding commitments to specific goals, practices, structures, and standards.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCULUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study out to achieve the following objectives; to determine the challenges of strategy implementation at ICDC, and t establish measures taken by ICDC to cope with challenges faced in strategy implementation. The results here are summarized, discussed and concluded in the order of his objectives.

5.2 Summary of Findings

The first was to ermine was to determine the challenges of strategy implementation ICDC. The study attributes several factors to the unsuccessful implementation of the strategic plan. These factors include poor organization structure, poor strategy and leadership style, poor communication strategy, inconsistent policy and procedures, lack of employee' involvement and limited technology facilities.

Respondents noted that staff were inadequately involved or trained to prepare the to participate in implementing the strategic plan. Also lack of good will from the top management played a key role in hindering the successful the implementation of the strategy. Respondents noted that the strategy was sometimes implemented inconsistently. Frequent change of the composition of the top management, was also identified as one of the leading challenge to effective strategy implementation. Finally, lack of a clear organizational structure that is in consonance with the strategic plan was also identified as obstacle to successful implementation.

The study moderately linked the government influence to the failure of the successful implementation of the strategic plan. However the study strongly linked the government to the power to appoint the board of directors of ICDC as well the Executive Director. Considering that the board makes policy decisions for management, there is link between the performance of the board and that of management which is lead by the Executive Director.

Other factors that impended successful implementation of the strategic plan at ICDC included poor economic growth and political interference particularly in recovery of loans advanced to politically correct individuals were cited implementation of the staff at ICDC cannot be said to be successful.

The second objective of the study was to establish the measures taken by ICDC to cope with challenges faced in strategy implementation. Firstly, respondents noted that a new ED had been appointed to cope with the leadership challenges. Secondly. The management was in the process of installing financial software to solve the problems facing the loans and finance department in implementing the strategic plan. Thirdly to improve the communication through the phones with customers and other stakeholders, a modern PABX is being considered as a solution. It is hoped that it will enrich the customers care an contribute towards successful strategy implementation

Fourthly, the arise the staff morale, the corporation had under taken had to review its internal policies, guidelines and procedures with a view to align the to the strategic plan. A new structure is in place to recruit temporary staff to handle temporary surges in workload on need basis. Re-braiding of the company products and improving on service delivery had also been identified as major measures in dealing with competition. Fifthly, a communication policy had been developed to ensure that staffs hold frequents meeting with management. A newsletter for the corporation is also the pipeline; finally, the corporation has adopted an open office layout. Apart from enhancing personal staff interaction, the open office space available addition two floors of head office for renting to tenants hence boosting the corporations.

5.3 Conclusion

The study concluded that staff were inadequately involved or trained to prepare them to participate in implementing the strategic plan. Also lack of good will from the top management played a key role in hindering the successful implementation of the strategy. It concluded that strategy was sometimes implemented inconsistently. Frequent change of the composition of the top management, was also identified as one of the leading challenge to effective strategy implementation. Lack of a clear organizational structure that is in consonance with the strategic plan was also identified as obstacle to successful implementation. The study concluded that factors that impended successful implementation of the strategic plan at ICDC included poor economic growth and political interference particularly in recovery of loans advanced to politically correct individuals were cited implementation of the staff at ICDC cannot be said to be successful.

The study concluded that a new ED had been appointed to cope with the leadership challenges. The management was in the process of installing financial software to solve the problems facing the loans and finance department in implementing the strategic plan. To improve the communication through the phones with customers and other stakeholders, a modern PABX is being considered as a solution. It was hoped that it would enrich the customers care contribute towards successful strategy implementation. It concluded that rise of staff morale, the corporation had under taken had to review its internal policies, guidelines and procedures with a view to align them to the strategic plan. A new structure is in place to recruit temporary staff to handle temporary surges in workload on need basis. Re-braiding of the company products and improving on service delivery had also been identified as major measures in dealing with competition. Fifthly, a communication policy had been developed to ensure that staffs hold frequents meeting with management.

5.4 Recommendations for Policy and Practice

Firstly, the study recommends that future strategy formulation should ensure the participation of all staff as well other stakeholders. This will enrich ownership of the final strategy as well as facilitate successful implementation. Secondly, ICDC should review its organizational structure in view of the current strategic plan.

There are some inconsistencies and gaps between the plan and its objectives and the current organizational structure. Successful implementation of a plan ought to be matched with an efficient organization structure tailored to achieve its goals.

Thirdly, the strategy ought to be linked not only with the job description of the staff but also with the targets of each section and department. The current disconnect has ensured that staff do not know what they are expected to achieve in contribution to the strategic implementation. Fourthly, in view of the challenges ushered in by the strategic implementation process, there is need for a continuous for a continuous professional training and retraining of the entire staff to ensure they are tandem with the current issues. Fifthly, it is imperative for ICDC to have continuous monitoring and evaluation framework for the implementation of the strategy. This will ensure that problems are solved when the arise, progress is measured and decisions made without undue delay.

Finally, the study recommends that a responsive communication strategy be developed to be implemented alongside the strategic plan. The communication of the strategy will require clear, consistent message as well as feedback mechanism. Staff and other stakeholders such as the clientele and suppliers be assured of the confidentially of their responses. Such information should not be used to punish or published without their consent.

The study makes several recommendations specify to DFIs in Kenya. first, DFIs need to ensure that in formulation their strategic plan, the involve not only their staff but also their customers and suppliers. Participation of various stakeholders ensure that the outcome of the process is widely owned thus facilitating support in implementation. Second, DFIs need to develop responsive communication channels in their structures.

Most DFIs are poor in marketing their products and services. Poor communication particularly between the management and staff is major is a major hindrance to strategy implementation. This can be further enriched by the use of internal and telephony technology.

Third, it is critical to ensure that strategic plans have a workable monitoring and evaluation framework. This framework should be implemented with participation of key stakeholders among the staff and the customers. A built in score card to measure progress should be well understood by staff. Fourthly, there is need to develop bet practices among the DFIs in Kenya. Lessons learnt in strategy implementation should be shared regularly. Finally, DFIs need to establish a peer review mechanism to ensure they learn issues of strategy implementation process from each other. Considering that the government is keen on establishing result based management, such review mechanism would go along way to add value in strategy implementation and thus achieving their corporate results.

5.5 Limitations of the Study

The study was carried out within a limited period of time and resources. This constrained the scope as well as the depth of the issues covered by the research. In addition, the study is restricted to challenges of strategy implementation in DFIs. It does not include other important fields of strategic management process including strategy development and strategic analysis. Its utility therefore is confined to strategic implementation. Further, ICDC was he only DFIs considered in the study. Although the findings can be generalized to some extent, there may be some variance with other

DFIs. Such variances include difference in their core business, legal and regulatory framework since the DFIs are under different government ministries. It would have more comprehensive if the study covered all the DFIs in Kenya.

5.6 Suggestion for Further Research

The study carried out an in-depth study of challenges of strategy implementation at ICDC. A further study of challenges of strategy implementation at all DFIs should be under taken. There is also a need to undertake a study to determine the link between strategy development and failure in strategy implementation in DFIs considering that there has been an increase in commercial banks and micro finance institutions, perhaps a study should be be conducted to establish whether or not DFIs are necessary in Kenya.

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APPENDICES

Appendix One: Interview Guide

PERSONAL INFORMATION

1. How many years have you worked in the corporation? ________________

2. The number years in the current position: _____________________

CHALLENGES OF STRATEGY IMPLEMENTATION

3. Who are involved in strategy implementation process in the corporation?

4. What are the strategy implementation practices employed by in the corporation as pertain to your department?

5. In your opinion what is the importance of management ability or competence in achieving successful strategy implementation practices in your department?

6. What are the challenges faced in strategy implementation in your corporation?

7. What are challenges posed by customers and staff not fully appreciating the strategy on strategy implementation practice?

8. What challenges are posed by Resistance and Leadership not fully appreciating strategy implementation in your department?

9. What are the other challenges you face in strategy implementation in the corporation?

10. What are challenges that surface during strategy implementation practice that had not been anticipated?

MEASURES TAKEN TO COPE WITH THE CHALLENGES FACED IN STRATEGY IMPLEMENTATION.

11. How committed are the board members and management in providing financial resources to support implementation of strategy?

12. How motivated are the board of directors and employees in supporting the strategic initiatives?

13. How appropriate is the current organization structure to support the implementation of strategy initiatives?

14. How capable is the available human resource in managing and implementing new strategy direction?

15. What organizational policies or systems have been put in place to respond to these challenges of strategy implementation?

Thank you.