

**STRATEGY FORMULATION PRACTICES OF UTENDO
WOMEN'S GROUP IN KITUI, KENYA**

BY

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DECLARATION

I declare that this project is my original work and has not been submitted to any other university for award of a degree.

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This project was submitted for examination with my authority as the university supervisor

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DEDICATION

I would like to dedicate this project to my parents, without whose moral support I would not have been able to complete this research.

ACKNOWLEDGEMENTS

The completion of this project would not have been possible without the help and support of a number of people, to whom I wish to express my sincere gratitude and appreciation.

To my parents, for their constant encouragement throughout the entire course and for being great mentors. My mother, whom I always look up to and whose value for education and hard work has helped to mould me. Thank you for praying with and for me and throughout the course.

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ABBREVIATIONS AND ACRONYMS

EPC:	Export Promotion Council
IT:	Information Technology
MMET:	The Maasai Market Empowerment Trust
NGO:	Non-governmental organisation
QDA:	Qualitative Data Analysis
RBV:	Resource-based View

ABSTRACT

The concept of Strategy Formulation has been garnering attention in Kenya over the past few years. Not only academics, but also policy makers are beginning to embrace the concept as a front-running solution to society's pressing social problems. There is, however, a need for empirical validation of the concept of Strategy Formulation beyond the existing theories behind it. This research sought to examine whether Strategy Formulation, coupled with strategy as an integral aspect of strategic management can live up to its big name and primary goals. The focus of this research was a group of highly skilled *Akamba* craftswomen of *Kitui* County in Kenya registered as Utendo Women's Group. The products are sold within the local market, across the country. Despite local and international interest in their craft products, the income generated by the craftswomen has greatly declined over the past years and thus not a sustainable source of livelihood for them. Having identified the need for improved quality of life for the craftswomen as the main social problem, this research aimed at investigating the existing gaps in the group's strategy formulation process craft products and identify the likely constraints in setting up a strategic approach to the development of their products. The study also sought to examine the integral role that strategy would play in the development, marketing and sale of new products by the craftswomen. The research aimed at exploring possible channels of new market penetration, both locally and internationally so as to create a sustainable source of income and consequently improved quality of life for the craftswomen. The research aimed at using an empirical approach to problem-solving. The research methodology used was based on direct interaction focus group discussions with the craftswomen order to adequately understand the status quo. The study found that there were underlying strategy issues that were linked to the group's strategy formulation practices. Lack of strategy implementation measures were also found to be a major strategic management issue. The findings from this research can be used by the Export Promotion Council (EPC) of Kenya to gain a better understanding of the existing constraints in product development and promotion by craft organisations in Kenya, particularly in rural areas. The Maasai Market Empowerment Trust (MMET), an NGO for artisans at the Maasai Market and other parts of the country, can use the findings of this research to organise seminars, campaigns, workshops and other awareness programmes in rural areas where such information is scarce. The study will also serve as a source of reference for future research work as well as a basis of further study.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Strategy formulation practices vary across industries and organisations. Different organisations use varied approaches to formulate the most suitable strategy for their respective fields since varied institutional characteristics attract different approaches. Strategy formulation involves making clear strategic choices which give proper direction and focus to the organisation.

According to Mahoney & Pandian (1992), the resource-based view (RBV) is a framework that has stimulated discussion between scholars from three research perspectives. First, the resource-based theory incorporates traditional strategy insights concerning a firm's distinctive competencies and heterogeneous capabilities. The resource-based approach also provides value-added theoretical propositions that are testable within the diversification strategy literature. Second, the resource-based view fits comfortably within the organizational economics paradigm. Third, the resource-based view is complementary to industrial organization research. The resource-based view provides a framework for increasing dialogue between scholars from these important research areas within the conversation of strategic management.

The Utendo Group are a group of highly skilled craftswomen. The group was registered as a social services group in 2008. The group comprises eighteen members from the villages of Kiatine and Ndalani in Kitui County. Despite their excellent workmanship, beautiful craft products and high market demand, their product sales have declined drastically over the past few years. An assessment of their current

strategy formulation practices would therefore shed some much needed light on possible flaws or gaps that may have contributed to dwindling returns. This study therefore aims at assessing their current strategy formulation practices.

1.1.1 Strategy Formulation Practices

According to Andrews (1971), strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.

Based on experience, a strategy can be described as a broad plan developed by an organization to take it from where it is to where it wants to be. A well-designed strategy enables an organization to effectively reach its goals as well as allow for frequent environmental monitoring in order to adapt the strategy as necessary. Strategy formulation is the process of developing the strategy.

According to Grimsley (2014), strategy formulation requires a series of steps performed in sequential order. The steps must be taken in order because they build upon one another. Two processes that feature as integral aspects of the strategy formulation process and must be performed throughout the strategy formulation process are environmental scanning and continuous implementation. Environmental scanning involves studying both the internal and external environment for factors that

may affect the organization's performance, which have to be addressed in the strategy formulation process. Once identified, the organization can appropriately adjust its strategic plan to suit its needs and fill gaps. Continuous implementation involves implementing one part of the strategy that must be performed prior to the next step of the strategy formulation process.

The theories guiding this study are the Resource-based View (RBV), Dynamic Capabilities Theory and Stakeholders Theory. RBV emerged in the 1980s and 1990s, after the major works published by Wernerfelt (1984), Prahalad and Hamel (1990), Barney (1991). The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it.

1.1.2 The Craft industry in Kenya

The Art and Craft industry of Kenya comprises musical instruments, wooden carvings, soapstone carvings, jewellery and other miscellaneous items. These varieties of product sectors are categorized into classifications based on the raw materials used in production. A large percentage of the locally produced craft products are produced for tourists as well as overseas markets. Functional items that have a decorative elements in them tend to generate higher demand than purely decorative items. Craft producers are often encouraged to do a wide range of products that have functionality elements.

The largest export markets for Kenyan arts and crafts include Netherlands, Germany, Canada, U.S.A, and France. Current statistics (The Economic Survey) indicate that export earnings from commercial crafts were valued at Sh384 million in 1999, Sh388 million in 2000 and Sh449 million in 2001. It can therefore be noted that the commercial value of Kenyan crafts exports has been on the increase.

According to Gachie (2014), the Art and Craft business in Kenya contributes about Sh6 billion to the economy and has created many jobs for rural women and the urban poor. Most of the craft in the market includes sculptures, wood carvings, jewellery, soapstone, and shields, which depict the traditional facet of Kenyans. The most popular markets include Maasai and City markets in Nairobi.

The Maasai Market is a modern display of an indigenous people's culture. It sells African artifacts and has become a convergence zone for various kinds of people, including tourists, in search of 'authentic' African souvenirs. The market is open several days a week at different locations in Nairobi. The sector has attracted private individuals to open up shop in various towns, mostly tourist destinations. The Maasai Market Empowerment Trust (MMET), an NGO for artisans at the Maasai Market and other parts of the country, seeks to inform, educate and empower artisans and handicraft makers on intellectual property and protect their creations and inventions through patenting and trade marking. Seminars, campaigns, workshops and other awareness programmes have been used to do this. The trust also hopes to give financial help to members to expand their businesses. The trust organized an intellectual property rights campaign to advocate for the return of the *kiondo* (basket), *kikoi* and other Kenyan innovations that have been patented elsewhere, to their rightful owners.

Kazuri Beads, which supplies beads and African jewellery in Kenya and internationally, has been at the forefront in helping rural women. It is one of the largest companies in Kenya associated with craft.

The Utamaduni Crafts Centre, run by the Kenya Wildlife Service, is an initiative under which local people will benefit. The craft industry has undergone hard times with the identity of some trademarks being stolen by foreigners with no regard of the implications of the same on the originators, the local crafters.

1.1.3 Utendo Women's Group in Kitui, Kenya

The focus of this study is a group of highly skilled craftswomen based in Kitui County, Kenya. They work as a registered women's group, founded in 2008. The group makes craft products from sisal and leather, which are readily available within the county. Utendo Women's Group currently consists of both registered and non registered members, eighteen of which make up the former and twelve of which constitute the latter. The group has three main official leaders: the Chairlady, the Treasurer and the group Secretary.

Utendo Women's Group began as an informal group of women with shared craftwork skills from the villages of Kiatine and Ndalani of Matinyani location in Kitui County, Kenya. The products they created generated interest and attracted market outside of Kitui. This in turn created a need for a formal system to ensure that the money generated from the sale of their products would be distributed fairly within the group. The group was then registered as a women's group. The group members make products on order, which are then purchased by sales brokers who find existing markets for the same.

Due to the nature of the work, the group has greatly contributed to social as well as cultural development in the county and has attracted new members who are then trained and mentored by the older members in basketry and weaving. This ensures consistency in the quality of products produced by both older and newer members.

The guiding assumption in this study is that the reduction in demand for their craft products is as a result of existing gaps in their strategy formulation practices. The members of Utendo Group may also be employing the use of strategies that have become redundant over time due to the dynamic approaches used by similar organisations within the craft industry

1.2 Research Problem

By examining various companies and organisations, it can be established that strategy formulation practices vary across organisations based on the industry of operation, the complexity of the organisation with regards to size and levels and also due to differing organisational cultures and norms. The term itself, ‘Strategy Formulation Practices’ implies the steps taken in the strategy formulation process that have become a norm or an integral part of the organisation.

Utendo Women’s Group has been in existence since its registration in 2008. Although there is high demand for their products, they have not managed to position themselves in the market and as a result, product sales and returns have declined over the years. Upon close observation, it is evident that it is not the products so much as the strategy formulation practices that are largely responsible for the lacklustre performance in returns from sales.

Studies on strategy formulation practices indicate different approaches to the same based on the size and complexity of the organisation. For example, Francis (2010) found that Apple Computers Inc., being one of the largest innovators in the computer industry, made use of product differentiation by introducing the Newton in 1993, and later the easy-to-use iMac in 1998, and updates following 1998. It released a highly stable operating system in 1999, and updates following 1999. Apple had one of its critical points in history in 1999 when it introduced the iBook. This completed their “product matrix”, a simplified product mix strategy formulated by the company’s founder, Steve Jobs. This move allowed Apple to have a desktop and a portable computer in both the professional and the consumer segments. Diversification of its products has since grown to be an integral strategy formulation practice at Apple Inc. The researcher noted that product differentiation is a viable strategy, especially if the company exploits the conceptual distinctions for product differentiation. The study found that the size of an organisation and available resources, with regards to available funds, play a key role in the strategy formulation process.

Sarkanjac (2014) noted that insurance companies, as part of a mature and prolific financial sector, rely to a large extent on information and communication technology in everyday operations. Mitchell (2009) noted that it is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Campbell et al (2006) conducted a study to investigate whether strategically linked performance measures reveal information about the quality of a firm’s business strategy.

In a study to examine the challenges of strategy formulation at Achilles Kenya Ltd., Kithinji (2012) noted that successful strategy formulation can go a long way in

helping a company gain a competitive edge, help in defining the business of the organization and also help in achieving right direction. The study also found that those involved in strategy implementation process in the organisation were senior managers, middle level managers and top management and all the other employees. Communication was also found to be a key success factor within strategy formulation and implementation.

Njeru et al (2013) carried out an analysis of factors influencing formulation of strategic plans in secondary schools Embu North District, Embu County. In a case study of the commercial banking industry in Kenya, Mungai (2007) examined the integration of strategy formulation and implementation. It was observed that all companies –in the study- considered implementation issues during formulation.

Karingithi (2012) studied the strategic management practices at DHL Global Forwarding Kenya Ltd and found that there existed a gap in strategy formulation and implementation practices within the company. It was recommended that the company include formulation and implementation of formal succession plans in all its departments, provide equal priorities to both strategy formulation and strategy implementation and conduct periodic monitoring and evaluation of strategic plans.

The findings of the above mentioned studies show a link between strategy formulation and implementation for effective performance and added competitive advantage, regardless of the industry of operation. The studies also indicate that strategic management is an ongoing process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities,

constraints, and the environment in which it operates. Despite this, there exists a gap with regards to research that addresses or examines Strategy Formulation Practices within the Craft Industry. This therefore paves the way for the study's main question: What are the strategy formulation practices of Utendo Group and what past practices have led to positive/ negative outcomes by the group?

1.3 Research Objective(s)

The objective of this study is to determine the strategy formulation practices by Utendo Group in Kitui, Kenya.

1.4 Value of the Study

The findings from this study can serve as a reference source for future researchers in the field of Strategy formulation. This research will contribute to academic discussions on the Resource-based View/ Theory. The Kenyan craft industry can apply the Resource-based View to gain competitive advantage through appropriate strategy formulation practices.

The Export Promotion Council (EPC) of Kenya can use the findings of this research to gain a better understanding of the existing constraints in product development and promotion by craft organisations in Kenya. In so doing, the council can review its existing product promotion strategies and policies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on various studies that are relevant to strategy formulation and strategy formulation practices as an integral part of the strategic management process. It gives a review of the relevant theory that explains strategy formulation in various organisations. It contains literature on empirical studies conducted on strategy formulation.

2.2 Theoretical Foundation

The theories that explain strategy formulation practices in this study are: The Resource-based Theory, also referred to as the Resource-based View (RBV), the Dynamic Capabilities Theory and the Stakeholder's Theory.

2.2.1 Resource-Based View

The Resource-based View/ Theory (RBV) is an approach to achieving competitive advantage that emerged between the 1980s and 1990s. In the RBV model, resources are given the major role in helping companies to achieve higher organizational performance. There are two types of resources: tangible and intangible.

Tangible assets are physical things. Land, buildings, machinery, equipment and capital – all these assets are tangible. Physical resources can easily be bought in the market so they confer little advantage to the companies in the long run because rivals can soon acquire the identical assets.

Intangible assets are everything else that has no physical presence but can still be owned by the company. Brand reputation, trademarks, intellectual property are all intangible assets. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage.

There are two critical assumptions of RBV: resources must be heterogeneous and immobile. The first assumption is that skills, capabilities and other resources that organizations possess differ from one company to another. If organizations would have the same amount and mix of resources, they could not employ different strategies in order to compete with each other. What one company would do, the other could simply follow and no competitive advantage could be achieved. RBV assumes that companies achieve competitive advantage by using their different bundles of resources.

The second assumption of RBV is that resources are not mobile and do not move from company to company, at least in short-run. Due to this immobility, companies cannot replicate rivals' resources and implement the same strategies. Intangible resources, such as brand equity, processes, knowledge or intellectual property are usually immobile. RBV holds that sustained competitive advantage can be achieved more easily by exploiting internal rather than external factors.

In a study of the RBV's implications for strategy formulation, Grant (2001) noted that the resources and capabilities of a firm are the central considerations in formulating its strategy: they are the primary constants upon which the firm can establish its

identity and frame its strategy, and they are the primary sources of the firm's profitability. The key to a resource-based approach to strategy formulation is understanding the relationship between resources, capabilities, competitive advantage and profitability. The RBV does not, however, go un-criticised: Tywoniak (2007) stated that the theory has been criticized for relying on inconsistent assumptions of rationality, and mutually inconsistent underlying hypotheses. Tywoniak further proposed a re-construction of key RBV constructs, extending some conceptual discussions, and providing for a conceptually consistent formulation.

2.2.2 Dynamic Capabilities Theory

Teece et al. (1997) define dynamic capabilities as the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments. Dynamic capabilities enable business enterprises to create, deploy, and protect the intangible assets that support superior long-run business performance. The microfoundations of dynamic capabilities—the distinct skills, processes, procedures, organizational structures, decision rules, and disciplines—which undergird enterprise-level sensing, seizing, and reconfiguring capacities are difficult to develop and deploy. Enterprises with strong dynamic capabilities are intensely entrepreneurial. They not only adapt to business ecosystems, but also shape them through innovation and through collaboration with other enterprises, entities, and institutions. The framework advanced can help scholars understand the foundations of long-run enterprise success while helping managers delineate relevant strategic considerations and the priorities they must adopt to enhance enterprise performance and escape the zero profit tendency associated with operating in markets open to global competition, Teece (2007).

According to Teece (2013), a capability is a set of learned processes and activities that enable a company to produce a particular outcome. Ordinary capabilities are like best practices. They typically start in one or two companies and spread to the entire industry. He further states that dynamic capabilities, unlike ordinary capabilities, are idiosyncratic: unique to each company and rooted in the company's history. They are captured not just in routines, but in business models that go back decades and that are difficult to imitate.

Atkinson (2013) noted that Dynamic capabilities are the processes managers use to modify their organisations in order to 'keep in touch' with changes occurring in their industrial setting.

In a study to examine innovation strategies and dynamic capabilities with data collected from 140 IT firms in Hamburg, Germany, Boundcken et al (1997) found that an adequate choice of strategies increases market performance because specific dynamic capabilities are realized. In this context, innovation orientation and flexibility were viewed as two classes of dynamic capabilities. Uncertainty was found to be an important moderating factor on the choice and effect of strategies and dynamic capabilities.

Jarva (2011) conducted a study that sought out to analyze the Case Company, Tornio, and to construct strategic suggestions that the company could use in order to stay competitive. The focus of the study was on the exploitation of capabilities and opportunities. Additionally, the researcher investigated whether the efficiency of utilized resources could be improved further. The strategic suggestions and opportunities for improvement were meant to be beneficial also for the parent company.

The study was based on a qualitative research approach and found that the successful research and development history with major technological shifts in the dynamic industry lay the foundation for the case.

Results of the analysis included organizational strengths and weaknesses, industry specific and social opportunities and threats. Jarva then formulated strategic suggestions by exploring the most feasible strategic alternatives created.

The results of Jarva's study showed that the Case Company needed a strategy. It would motivate employees and increase entrepreneurship skills, in addition to specifying the long-term direction. The deployed bottom-up operative approach exploits knowledge of experts and develops organizational capabilities for the purposes of strategic management. According to the findings, the Case Company would be able to gain competitive advantages, for example, via service differentiation and customer collaboration. Furthermore, the management team would need relational capabilities and the role of human resource management could be emphasized.

Critics have argued that compared with other similar terms, the term dynamic capabilities does not provide added value in explaining why some firms are successful and others are not. Because so much research has described dynamic capabilities as abstract capabilities, many researchers believe that managers' deliberate efforts to develop and strengthen dynamic capabilities may not be effective, Winter (2003).

2.2.3 Stakeholder Theory

According to The Financial Times, Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholders. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. Innovation to keep these interests aligned is more important than the easy strategy of trading off the interests of stakeholders against each other. Hence, by managing for stakeholders, executives will also create as much value as possible for shareholders and other financiers

Donaldson and Preston (1995) state that the stakeholder theory has been advanced and justified in the management literature on the basis of its descriptive accuracy, instrumental power, and normative validity. These three aspects of the theory, although interrelated, are quite distinct; they involve different types of evidence and argument and have different implications. They further examined the three aspects of the theory, critiqued and integrated important contributions to the literature related to each. The study concluded that the three aspects of stakeholder theory are mutually supportive and that the normative base of the theory-which includes the modern theory of property rights-is fundamental.

The supporters of the Stakeholder theory argue that it is distinct because it addresses morals and values explicitly as a central feature of managing organizations. The ends of cooperative activity and the means of achieving these ends are critically examined in stakeholder theory in a way that they are not in many theories of strategic management, Phillips et al (1995).

2.3 The Strategic Management Process

Jurevicius (2013) defines strategic management as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. It is an integrative management field that combines analysis, formulation, and implementation in the quest for competitive advantage. It includes understanding the strategic position of an organisation, making strategic choices for the future and managing strategy in action.

Clayton (2014) notes that the strategic management process consists of five crucial steps, which he refers to as a philosophical approach to business. These are: Goal setting, Analysis, Strategy formulation, Strategy implementation and Evaluation and control.

The purpose of goal-setting is to clarify the vision for your business. This stage consists of identifying three key facets: First, define both short- and long-term objectives. Second, identify the process of how to accomplish your objective. Finally, customize the process for your staff, give each person a task with which he can succeed. Keep in mind during this process your goals to be detailed, realistic and match the values of your vision. Typically, the final step in this stage is to write a mission statement that succinctly communicates your goals to both your shareholders and your staff.

Analysis is a key stage because the information gained in this stage will shape the next two stages. In this stage, gather as much information and data relevant to accomplishing your vision. The focus of the analysis should be on understanding the needs of the business as a sustainable entity, its strategic direction and identifying

initiatives that will help your business grow. Examine any external or internal issues that can affect your goals and objectives. Make sure to identify both the strengths and weaknesses of your organization as well as any threats and opportunities that may arise along the path.

The first step in forming a strategy is to review the information obtained from completing the analysis. Determine what resources the business currently has that can help reach the defined goals and objectives. Identify any areas of which the business must seek external resources. The issues facing the company should be prioritized by their importance to your success. Once prioritized, begin formulating the strategy. Because business and economic situations are fluid, it is critical in this stage to develop alternative approaches that target each step of the plan.

Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be made clear of their responsibilities and duties, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.

Strategy evaluation and control actions include performance measurements, consistent review of internal and external issues and making corrective actions when necessary. Any successful evaluation of the strategy begins with defining the parameters to be measured. These parameters should mirror the goals set in Stage 1. Determine your progress by measuring the actual results versus the plan. Monitoring internal and

external issues will also enable you to react to any substantial change in your business environment. If you determine that the strategy is not moving the company toward its goal, take corrective actions. If those actions are not successful, then repeat the strategic management process. Because internal and external issues are constantly evolving, any data gained in this stage should be retained to help with any future strategies.

2.4 Strategy Formulation Practices

Different organisations use varied approaches to formulate the most suitable strategy for their respective fields since varied institutional characteristics attract different approaches. Strategy formulation involves making clear strategic choices which give proper direction and focus to the organisation. For some organisations, these practices, if highly effective over time, become known as their best practices.

Wallace (2001) describes Strategic Formulation Practices as the important and/or essential parts (strategy) of a plan of action, which are expressed in systematic terms and concepts.

Crowley & Domb (1997) explain four major phases of strategic formulation: Reviewing the current key objectives and strategies of the organization, which usually would have been identified and evaluated as part of the diagnosis. Identifying a rich range of strategic alternatives, including but not limited to dealing with the critical issues. Doing a balanced evaluation of advantages and disadvantages of the alternatives relative to their feasibility plus expected effects on the issues and contributions to the success of the organization and Deciding on the alternatives that should be implemented or recommended.

Bryson (1995) recommends a ten-step strategic formulation process, which slightly differs with Goodstein et al (1993), who advocate a nine-step strategic formulation process. Steiner (1997) describes numerous systems, admitting that the variations of strategies for planning are numerous.

2.5 Previous Studies and Knowledge Gaps

Cahoy (2014) describes empirical literature as that which is based on observed and measured phenomena and derives knowledge from actual experience rather than from theory or belief. Various studies have been carried in this respect in order to bring about empirical validation of the concept of Strategy Formulation and Strategy Formulation Practices across organisations in various industries.

Veetil (2008) noted that Empirical studies in the field of Strategic Management have mainly focused on two main streams of research: the relationship between how strategy is formulated in a firm and firm performance and the relationship between the content of strategy and performance. The study considered the moderating effects of environment on the relationship between strategy and performance. The researcher proposed a conceptual model of strategy formulation and implementation. The study found that strategic planning, of which strategy formulation is an integral aspect, helps organisations improve their relative competitive performance in highly dynamic as well as highly hostile environments.

In a study to investigate best-practice based model for information technology learning strategy formulation, Olfman et al (2003) recognized that in today's fast changing environment marked by innovation in information technology (IT) at great speed, organizations need to take a holistic view of IT training by formulating comprehensive learning strategies. They proposed an integrative learning strategy formulation model that they developed based on the findings of a study that used a multiple case study approach. They analyzed 16 organizations with leading edge training behaviours to identify best practices for learning strategies. The model they proposed consisted of four dimensions: Focus, Conceptualization, Integration and Positioning. We describe the model and mechanisms for moving an organization toward best practices in implementing and applying a learning strategy.

Falshaw & Glaister (2006) conducted an empirical study of 113 UK companies in an attempt to examine the relationship between formal strategic planning and financial performance in a non-US context while taking into consideration the important contingent variables identified by previous researchers of organizational size, environmental turbulence and industry. They noted that Strategy Formulation includes developing a mission, setting major objectives, assessing the external and internal environments, and evaluating and selecting strategy alternatives.

Suklev & Debarliev (2012) conducted a study to investigate the relationship between strategic planning and the organizational effectiveness with the examination of a wider list of strategic planning dimensions and different approaches and measures to

assess the strategic planning effectiveness in the case of the Republic of Macedonia. They also conducted a comparative analysis of the strategic planning effectiveness in different emerging and developing countries. Two regression models were performed as well as factor analysis for all stated items for each of the investigated variables. The empirical analysis conducted in Macedonian companies showed that strategic planning can generally contribute to organizational effectiveness. The comparative analysis conducted in the study referred to useful knowledge conclusions for the specifics of strategic planning effectiveness in the emerging and developing countries and indicated the probable reasons for potential differences in strategic planning effectiveness in different countries.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology the researcher employed in determining the strategy formulation practices of Utendo Women's Group, Kitui. Among the elements discussed in this section are the data collection tools and techniques, as well as the technique that was used to analyze the collected data.

3.2 Research Design

The research design for this study is a case study. According to Labaree (2013), the research design refers to the overall strategy that a researcher chooses to integrate the different components of the study in a coherent and logical way, thereby, ensuring they will effectively address the research problem; it constitutes the blueprint for the collection, measurement, and analysis of data.

A case study is one that is focused and detailed, in which propositions and questions about a phenomenon are carefully scrutinized and articulated at the outset. This articulation of what is already known about the phenomenon is called a descriptive theory. It helps to specify the boundaries of the case, and it contributes significantly to the rigor of the finished case study.

The main goal of the descriptive case study is to assess a sample in detail and in depth, based on an articulation of a descriptive theory, Mills et al (2010). This research also focused on collecting information which is based on the status quo of the phenomenon which will explain what occurs in relation to various variables in a situation.

3.3 Data Collection

Both secondary and primary data were utilized. The secondary data was collected from the group's records of sales as well as minutes from the group's meetings. The respondents for the primary data included the group's three main officials as well as five other members of the craft group who were selected based on membership status, that is, the formally registered members of the group were considered as the primary respondents. The researcher had an interpreter on hand to assist in translating the respondents' responses from the vernacular to English.

The researcher used a data collection schedule to assist in gathering this information for the period 2008-2013. The data collection schedule was particularly useful in enabling the researcher to establish patterns and practices within the group with regards to strategy, strategy formulation practices and strategy implementation. This also assisted in the analysis of the data.

3.4 Data Analysis

The data collected was sorted, organized and analyzed through the use of content analysis. Content analysis is a research method used to analyze social life by interpreting words and images from documents, film, art, music, and other cultural products and media, Crossman (2014).

It is a qualitative data analysis (QDA) tool, designed for qualitative researchers working with text-based and/or multimedia information, where deep levels of analysis on small or large volumes of data are required.

Content analysis can be used to organize and analyze interviews, field notes, textual sources, and other types of qualitative data including image, audio and video files. Being a descriptive case study, the data collected from the research was qualitative and therefore appropriate for this mode of analysis. While working through the information, the researcher highlighted key points, allowing for quick recall and analysis later.

CHAPTER FOUR

DATA ANALYSIS AND RESEARCH FINDINGS

4.1 Introduction

This chapter presents the results of the data analysis and gives an interpretation and discussion of the findings. The main objective of this study was to identify the strategy formulation practices of Utendo Women's Group, Kitui. The analysis of the data was done using content analysis as the primary tool of analysis.

4.2 Data Collection and Analysis

The data was collected through a series of interview questions conducted in the setting of a focus group interview, with the members of Utendo Women's Group as the respondents. A focus group is a form of qualitative research in which a group of people are asked about their perceptions, opinions, beliefs, and attitudes towards a product, service, concept, or idea. According to Green et al (2003), the uniqueness of a focus group is its ability to generate data based on the synergy of the group interaction, The members of the group should, therefore, feel comfortable with each other and engage in discussion. Krueger & Casey (2000) point out that for some individuals self-disclosure is natural and comfortable, while for others it requires trust and effort.

The researcher found that a group discussion setting was the most appropriate data collection method for this study as it allowed for ease of communication within the group. The questions were asked in an interactive group setting where participants were free to talk with other group members. The respondents felt more at ease in this setting and were thus more open and honest in their responses.

The focus group setting allowed the interviewer to study the participants in a more natural conversation pattern than would have typically occurred in a one-to-one interview setting. In combination with participant observation, the researcher used the group setting to learn about the group members and their patterns of interaction.

The researcher used the interview or focus group guide to ask questions. The respondents mainly communicated in *Swahili* and only in very few instances did they express themselves in their local *Akamba* language. Having considered this as a possibility in the course of data collection, the researcher had a translator present to serve as an interpreter if need arose. The interpreter had previously established a rapport with the members of the group and as such assisted in creating a connection between the researcher and the respondents.

The researcher took notes as the discussions went on, highlighting the key points and recurring themes in the participants' responses which later allowed for quick recall while conducting content analysis of the focus group data.

The analysis of the data collected from the focus group interviews was performed in a series of steps where the researcher obtained consensus categories and assessment of inter-rater reliability to identify unreliable categories to be revised. The resulting coding system considered three areas: non verbal communication, verbal communication and affective or emotional expressions.

4.3 Research Findings on strategy formulation practices of Utendo women's group

The researcher sought to find out the strategy formulation practices of Utendo Women's Group in Kitui. The findings of the research revealed more underlying strategy issues that are linked to the group's strategy formulation practices.

The researcher established that the group had an inconsistent strategy formulation approach. The mode of strategy formulation varied from time to time: the group's three main officials were the main determinants of a particular strategy at a particular time. On other occasions, the group members would select a twelve-member committee to map out the group's sales and marketing strategy.

The researcher found that the group's strategy formulation was generally informal. There were also no written records of the group's past strategies and strategy formulation process. While it can be argued that formality may not be necessary for strategy or strategy formulation to be effective, this approach has been used by the group since its inception in 2008 but has not been effective as far improving product sales and income generated from the same.

The group occasionally attracts brokers or middlemen who participate in the strategy formulation process. The middlemen buy the craft products in bulk and sell them in Nairobi and other parts of the country. While this may seem promising on paper, the researcher found that the middlemen do not always pay for the products up-front. These delays lead to losses as the women do not recover the initial production costs of their products.

The group members intend on using the returns from their poultry farming business to purchase the raw materials required for their craft products. This would be a form of risk-reduction, allowing for more stability with regards to the monthly income generated from the sale of craft products.

The researcher found that the money generated from the sale of craft products is collected by the group's treasurer before being deposited into the group's bank account. It is then distributed to the members' individual accounts based on each member's percentage contribution to the purchase of raw materials for the products. This ensures that there is fairness within the group.

The study found that the group did not have a mission or vision statement and did not keep any written record of short or long-term goals.

In the course of the focus group interviews, the researcher established that traditional gender roles played a part in the members' availability for group activities and projects. The group members expressed that their primary roles as mothers and home-makers often required them to be at home to tend to the needs of the family. This sometimes meant that they could not always participate in group activities as much as they would want to.

The group members expressed that they had made several attempts at applying for financial assistance through the Uwezo Fund to no avail. The group secretary, however, had no official record or copies of the drafted applications. It was therefore difficult to determine the authenticity of this claim.

4.4 Discussion

Studies on strategy formulation practices indicate different approaches to the same based on the size and complexity of the organisation. For example, Francis (2010) found that Apple Computers Inc., being one of the largest innovators in the computer industry, made use of product differentiation by introducing the Newton in 1993, and later the easy-to-use iMac in 1998, and updates following 1998. It released a highly stable operating system in 1999, and updates following 1999. Apple had one of its critical points in history in 1999 when it introduced the iBook. This completed their “product matrix”, a simplified product mix strategy formulated by the company’s founder, Steve Jobs. This move allowed Apple to have a desktop and a portable computer in both the professional and the consumer segments. Diversification of its products has since grown to be an integral strategy formulation practice at Apple Inc. The researcher noted that product differentiation is a viable strategy, especially if the company exploits the conceptual distinctions for product differentiation. The study found that the size of an organisation and available resources, with regards to available funds, play a key role in the strategy formulation process.

Sarkanjac (2014) noted that insurance companies, as part of a mature and prolific financial sector, rely to a large extent on information and communication technology in everyday operations. Mitchell (2009) noted that it is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Campbell et al (2006) conducted a study to investigate whether strategically linked performance measures reveal information about the quality of a firm’s business strategy.

In a study to examine the challenges of strategy formulation at Achilles Kenya Ltd., Kithinji (2012) noted that successful strategy formulation can go a long way in helping a company gain a competitive edge, help in defining the business of the organization and also help in achieving right direction. The study also found that those involved in strategy implementation process in the organisation were senior managers, middle level managers and top management and all the other employees. Communication was also found to be a key success factor within strategy formulation and implementation.

Njeru et al (2013) carried out an analysis of factors influencing formulation of strategic plans in secondary schools Embu North District, Embu County. In a case study of the commercial banking industry in Kenya, Mungai (2007) examined the integration of strategy formulation and implementation. It was observed that all companies –in the study- considered implementation issues during formulation.

Karingithi (2012) studied the strategic management practices at DHL Global Forwarding Kenya Ltd and found that there existed a gap in strategy formulation and implementation practices within the company. It was recommended that the company include formulation and implementation of formal succession plans in all its departments, provide equal priorities to both strategy formulation and strategy implementation and conduct periodic monitoring and evaluation of strategic plans.

The findings of the above mentioned studies show a link between strategy formulation and implementation for effective performance and added competitive advantage, regardless of the industry of operation. The studies also indicate that strategic management is an ongoing process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates. The research findings showed that the group had no strategy implementation measures in place.

The study also raised the question of formality in strategy and strategy formulation. While it can be argued that strategy need not be formal in order to be effective, the group's informal approach to strategy formulation since its inception in 2008 has proved ineffective over time. This raises the possibility of exploring a formal approach to strategy formulation and comparing the outcome with previous outcomes. This is in relation to the findings of Mitchell (2009), where a formal approach to strategy formulation was found to be appropriate.

The research also highlighted the issue of the role of the county government. According to the Commission on Revenue Allocation (CRA) (2013), the devolved government, proposed during the making of the new constitution, is primarily geared towards achieving two main objectives: to involve the people in governance and to allow better supervision and implementation of policies at the grass root level. The county Government constitutes a county assembly and county executive.

The responsibilities of the county assembly include: exercising the powers of enacting laws at the county level, acting as an oversight instrument on the county executive and approval of plans and policies for smooth operation and management of resources and county institutions. The findings of Njeru et al (2013) also showed the role of the county government in strategy formulation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the research findings and a conclusion of the research. The researcher also gives recommendations that can be adopted by Utendo Women's Group in Kitui and also gives policy recommendations.

5.2 Summary of Findings

The researcher established that Utendo Women's Group in Kitui use an informal approach to strategy formulation. It was also found that rather than reviewing and doing away with strategies that have been effective over time, the group maintained the same practices, hoping for a positive outcome each time.

The study also found that the strategies employed were inconsistent, thus it would be difficult to measure performance based on each varied strategy as there were no formal records indicating periodic performance. It would therefore be difficult to link improved performance in terms of product sales volume with a particular strategy. This would be a particularly important tool in measuring strategy effectiveness.

5.3 Conclusion

The study sought to find out the strategy formulation practices of Utendo Women's Group in Kitui County, Kenya. The study found that, although the strategy formulation practices need not be formal to be effective, the group's informal approach to the same since its inception in 2008 has been ineffective in regards to income generated from sales.

It is evident from the research that strategy alone, whether formal or informal, is not indicative of improved performance, rather there have to be performance measures in place in order to link strategies with subsequent improvement or unsuccessful outcomes.

5.4 Area for further research

The research showed that various approaches can be taken to improve the current state of Utendo Women's Group in order to create new market opportunities. One such approach is product development. Rather than create entirely new products, Utendo group can improve, or modify its existing products so as to generate new market (customer) interest in the same. This would allow the group to tap into new channels of market penetration.

Neilsen (2014) gives various subsets of product development. Product Development Diversification Strategy is employed when a company's existing market is saturated, and revenues and profits are stagnant or falling. There is little or no opportunity for growth. A product development diversification strategy takes a company outside its existing business and a new product is developed for a new market. An example of this strategy is a company that has sold insurance products and decides to develop a financial education program aimed at college students. The new product is not revolutionary as there are other companies producing similar products, but it is new to the company producing it. Product Modification Strategy are generally aimed at existing markets, although a side benefit may be the capturing of new users for the new product. Revolutionary Product Development in which revolutionary products are those for which there was no real prior need.

Computers and cell phones are good examples. Before these products appeared on the market, consumers did not know they needed them. But, the germ of an idea on how to better communicate resulted in products that have changed the world and have drastically changed the competitive landscape.

As highlighted by the study, strategy on its own cannot be effective if there are no measures of strategy implementation in place in any organisation. Researchers can thus explore the link between strategy formulation and its implementation for effective organisational performance. A researcher can also study and compare organisational performance of companies within the same industry of operation which have two varied approaches to strategy formulation: formal and informal approaches.

5.5 Recommendations

The study highlighted the need for a financial management system in rural enterprises in Kenya, as in the case of Utendo Women's Group. Although the group has a treasurer, there is no financial management system in place. There being a lack of accountability of use of funds, it is relatively difficult to keep track of cash flow processes within the group. Seeking assistance from the Kenya Rural Enterprise Programme Development Agency (K-REP) would serve the group members well.

K-REP was established in 1984, as a 5-year project of an American Private Voluntary Organisation - World Education Incorporated to address financial, management and technical capacity needs of Non-Governmental Organisations (NGOs) involved in Micro and Small Enterprise Development. Anno 2004 K-REP includes a holding company (K-REP Group Limited), an NGO (K-REP Development Agency), a bank (K-REP Bank limited) and a consulting company(K-REP Advisory Services Limited).

The mission of KDA is to develop and pilot test sustainable micro finance products and services and then institutionalise successful ones with existing micro finance institutions or create new institutions to implement them. Its main focus is expanding financial services to low-income groups of people who have traditionally been ignored by formal financial institutions. Specific objectives are to: Identify innovative financial products for low-income people; design, pilot-test, evaluate and re-design innovative financial products; build capacities of community based financial structures and effective systems for delivering financial services to low income groups; and promote the adoption of the micro finance products that have been developed. This would thus be particularly useful to Utendo Women's Group.

5.6 Implications of the study on Policy, Theory and Practice

On Policy

The Export Promotion Council (EPC) of Kenya can use the findings of this research to gain a better understanding of the existing constraints in product development and promotion by craft organisations in Kenya. In so doing, the council can review its existing product promotion strategies and policies and structure them in a way that would benefit local crafters.

On Theory

The findings from this study can serve as a reference source for future researchers in the field of Strategy formulation and strategy formulation practices in various organisations. This study will contribute to academic discussions on the Resource-based View/ Theory, Dynamic Capabilities Theory and Stakeholder Theory and their implications on strategy formulation practices.

On Practice

The Kenyan craft industry can apply the Resource-based View to gain competitive edge over similar products in the regional market through appropriate strategy formulation practices. The Maasai Market Empowerment Trust (MMET), an NGO for artisans at the Maasai Market and other parts of the country, seeks to inform, educate and empower artisans and handicraft makers on intellectual property and protect their creations and inventions through patenting and trade marking. The organisation can use the findings of this research to organise seminars, campaigns, workshops and other awareness programmes in rural areas where such information is scarce. The trust can also give financial help to members to expand their businesses, possibly by turning their attention to the rural areas where the communities have limited access to funds.

5.7 Limitations of the Study

The researcher encountered a number of limitations in the course of the study, key among which was the issue of the location of the area in which the fieldwork was conducted. The basis of the study was in Kitui County, which required the researcher to travel from Nairobi in order to conduct the focus group interviews.

The researcher also dealt with time constraints as the group members, who were the primary respondents of the study, did not turn up at the initially agreed upon date and time. This meant that the researcher had to reschedule the meeting date and time on two occasions, therefore extending the stay in Kitui beyond what was initially planned. During this time, the researcher also had to contend with the possibility of the respondents not showing up altogether. The group members did eventually turn up and the researcher was able to conduct the group interviews in good time.

During the group interview sessions, the researcher had to have a translator on hand as some of the group members felt more comfortable communicating in their local Akamba language. Some information may thus not have been adequately or sufficiently presented in this way.

During the group interview session, not all the participants were completely at ease and thus did not open up at all. To a certain extent, some parts of the group interviews were dominated by the more talkative and receptive members. The researcher felt that this would lead to limited information and thus had to prod more and encourage the quieter members to participate in the discussions.

The issue of finance also came into play in the course of conducting the fieldwork. Being in a rural setting, the group members lived quite far from the location in which the group interviews were to be conducted. The researcher therefore had to pay for their transport to and from the location of the group interviews. This was a factor that the researcher had not initially taken into consideration prior to arriving in Kitui.

Another major issue encountered by the researcher was the lack of formal records documenting past meetings by the group. The researcher had initially planned to use these records as sources of secondary data which would add to the primary data collected during the focus group interviews. Although the members did attempt to bring the researcher up to speed on the contents of the documents, they could not adequately exhaust the same.

The researcher thus felt that a significant amount of data which would have major implications on the findings and recommendations of the study was lost. This also posed a great concern to the researcher as the issue of data being compromised arose. The study was not conclusive and as such there is room for other researchers in the fields of strategic management as well as product design to add onto this further exploring the relationship between strategy formulation practices and its implementation in various companies.

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Appendix 1: Interview Guide

The following categories were interviewed on the undernoted lines through face to face interviews with the three group officials as well as five other registered members of Utendo Group Women's Group, Kitui.

1. What has been the biggest challenge in generating a stable income from the sale of your products?
2. What has been the biggest challenge in attracting market for your products?
3. What is the typical strategy formulation process at Utendo Women's Group?
4. Have you employed the same strategy formulation practices from the time of the group's inception in 2008? If so, why did you choose to maintain these practices? If not, what practices have you adopted and which have been omitted from the strategy formulation process?
5. Have the practices used led to positive or negative outcomes? Please explain?
6. Are the group members involved in the strategy formulation process or is it limited to the officials in the group, that is, the Chairperson, the Treasurer and the Secretary? If not, please explain.
7. Are there any other practices that you think should be considered? What would these practices be?
8. Do you think that introducing new practices to the strategy formulation process would lead to better results with regards to income generated from the sale of your craft products?

9. What practices do you think would contribute to the group's products having an edge over similar products in the market?
10. How did you come up with the vision for the group?
11. Are there any strategy implementation measures in place?
12. What are the group's performance measures?

Appendix 2: Letter of Recommendation for Data Collection



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 20/8/2014

TO WHOM IT MAY CONCERN

The bearer of this letter KATRINA KHAGAI LIYAI

Registration No. DS1/79235/2012

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

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

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

Thank you.



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix 3: Letter confirming data collection

October 6th, 2014

TO WHOM IT MAY CONCERN

RE: MBA STUDENT

NAME: KATRINA KHAGAI LIYAI

REG. NO. D61/79235/2012

This is to confirm that the above named has carried out focus group interviews with Utendo Women's Group, towards collecting data for her research project work.

Yours faithfully



Lydia Mwendu Nzuve

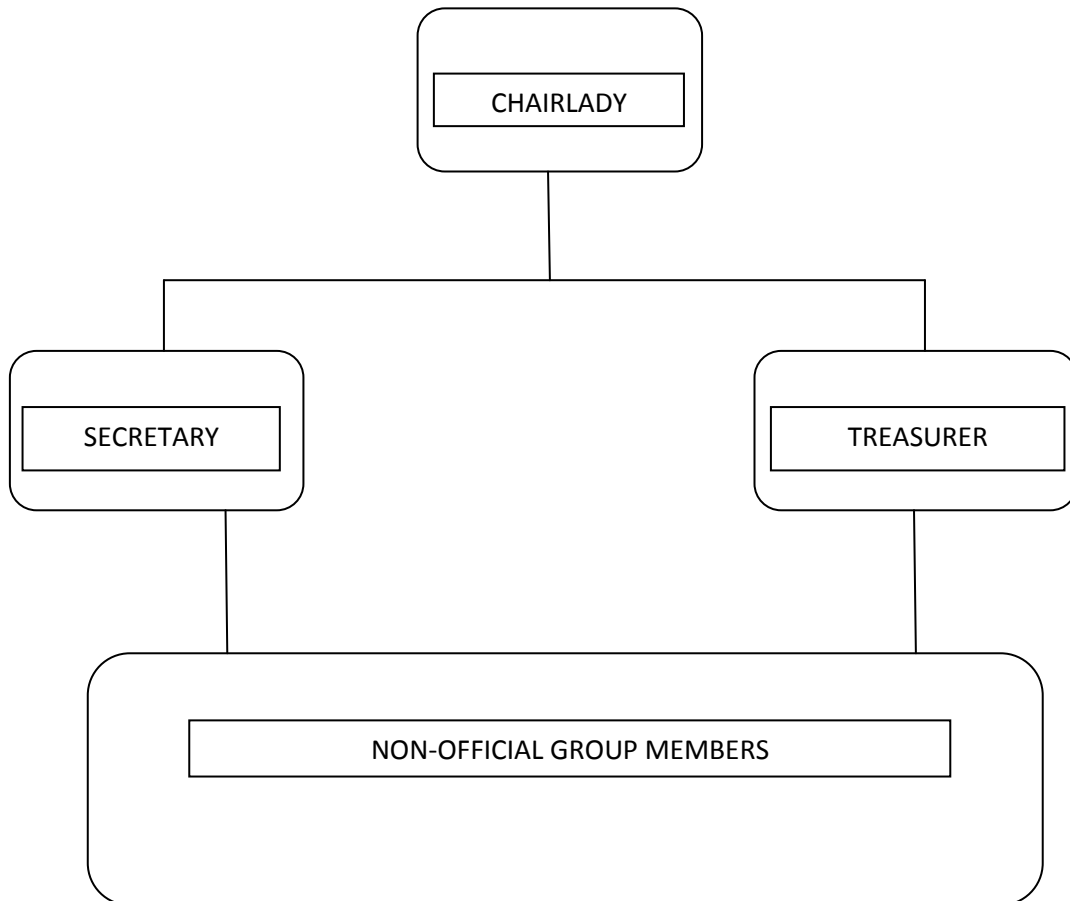
GROUP CHAIRLADY

Appendix 4: Utendo Group Product Samples

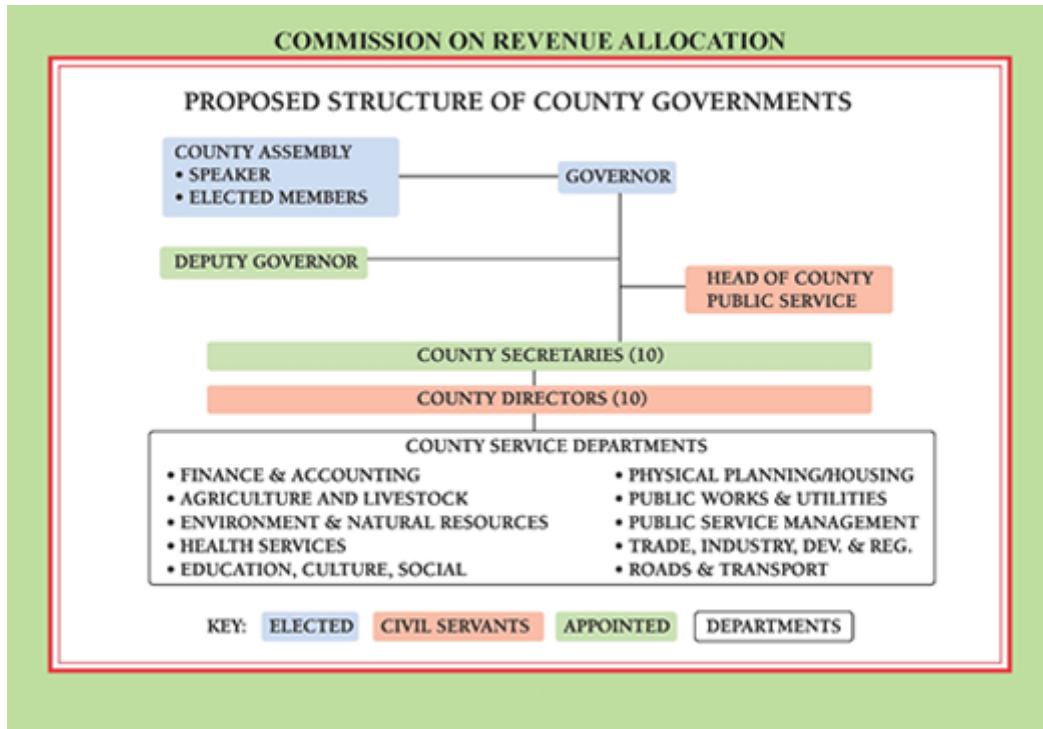




Appendix 5: Utendo Group Structure

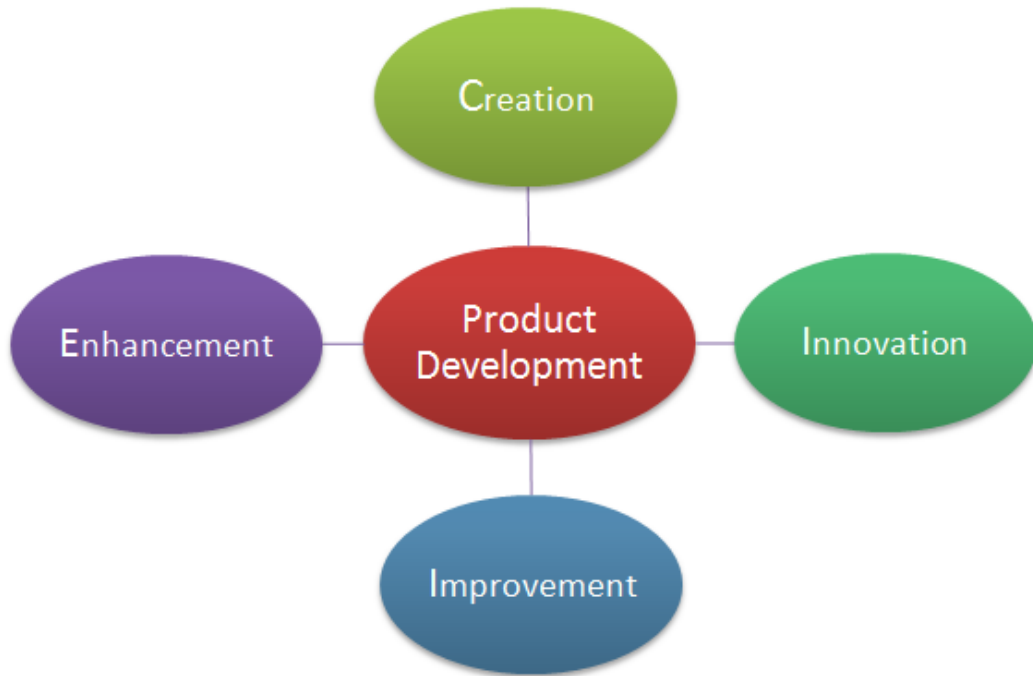


Appendix 6: Functions of County Government



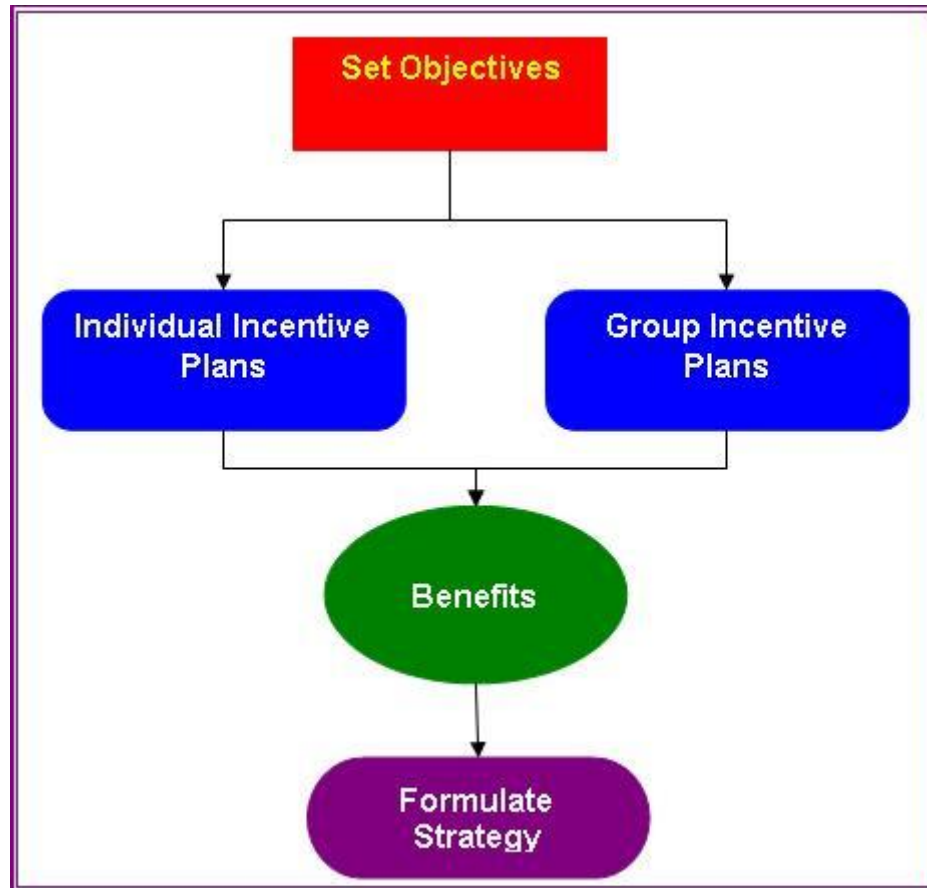
Source: Commission on Revenue Allocation

Appendix 7: Product Development Model



Source: <http://www.omnitechglobal.com>

Appendix 8: Incentive Strategy Formulation Model



Source:

http://www.1000ventures.com/business_guide/mgmt_strategic_achievement.html

Appendix 9: Kitui County Map



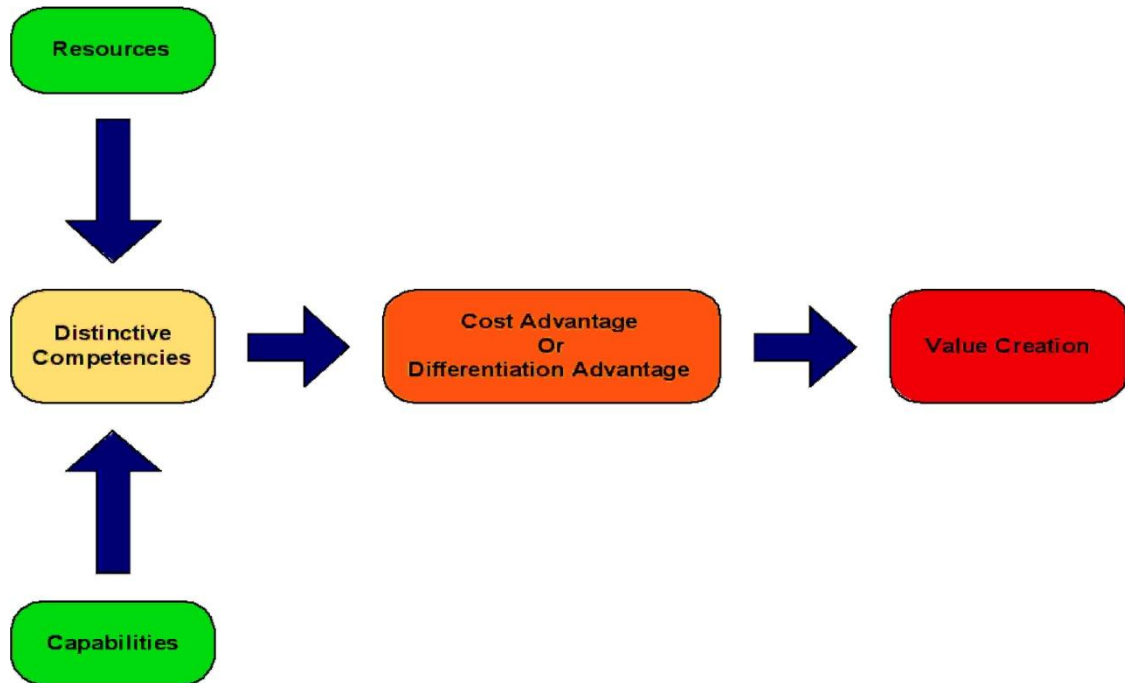
Source: <http://www.the-star.co.ke/news/article>

Appendix 10: Recommended Strategy formulation Model



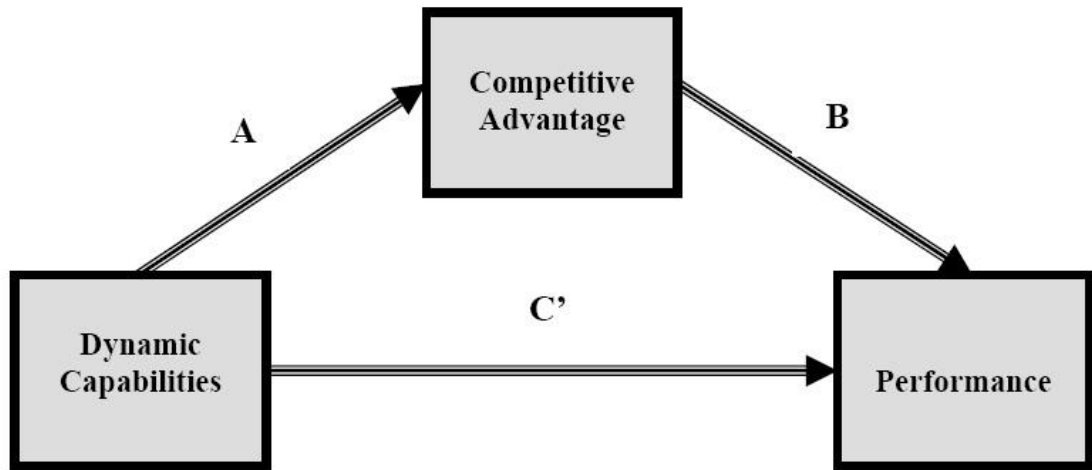
Source: <http://relivingmbadays.wordpress.com>

Appendix 11: Resource-Based View (Model)



Source: <http://axaryje.pev.pl/resource-based-view>

Appendix 12: Dynamic Capabilities Model



Source: <http://3.bp.blogspot.com>

Appendix 13: Stakeholders Theory Model



Source: <http://legacy.businesscasestudies.co.uk/company>