STRATEGIES ADOPTED BY THE NAIROBI CITY WATER AND SEWERAGE COMPANY

BY

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DECLARATION

a) Declaration by the student

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

Signed…………………………………… Date………………

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b) Declaration by the supervisor

This project has been submitted for examination with my approval as university supervisor.

Signed………………………………… Date…………………

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DEDICATION

To my family and my late father Mr. Naftaly Nyaga, who was always supportive of my aspirations

ACKNOWLEDGEMENT

Special thanks to my supervisor Mr. James M. Gathungu, who patiently guided me through this research. His tireless effort and valuable time has culminated in the realization and successful completion of this study.

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I also acknowledge the Almighty God who gave me the courage and life to continue with this noble course.

LIST OF ABBREVIATIONS

AWSB	Athi Water Services Board
CCN	City Council of Nairobi
MWI	Ministry of Water and Irrigation
NCWSC	Nairobi City Water and Sewerage Company
RBV	Resource Based View
UFW	Unaccounted for water
WSB	Water Services Boards
WSP	Water Service Providers
WAP	Water Appeals Board
WSTF	Water services Trust Fund
WRMA	Water Resources Management Authority
WSRB	Water Services Regulatory Board
WSS	Water Supply and Sanitation Services

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ABSTRACT

Poor performance of urban water provision and public utilities in developing countries has led to calls for reduction in the role of the State and the increased role of the Private Sector in what had traditionally been the domain of the public service Atak (2004). The Provision of Water and Sewerage Services has for a long time been characterized by inefficient management and poor investment. Implementation of the commercialization process in bits and pieces while tackling each and every isolated problem separately proved to be ineffective and time wasting. Poor state of water and sanitation services has in the recent past attracted a lot of public interest. The public blamed the local authorities for the poor services. The move to commercialize these services to improve on efficiency in services provision has been echoed by both public and the executive arm of the Government.

This study was conducted in the period between August and September, 2007 with the objective of establishing the strategies used by the Nairobi City Water and Sewerage Company and the challenges the company faces in the implementation of strategy. The research was a case study and the data was collected using a semi-structured questionnaire sent to the managing director, the five directors of the company and five regional managers.

From this study, it was found that the company uses more of focus-cost leadership strategy than other strategies but a combination of generic strategies developed by Michael Porter are more pronounced in the company. The major challenges facing the company in implementation of strategy in the firm was found to be huge financial resources required to purchase equipment and hire and retain skilled staff. The results of this research will be invaluable to the company, the government, private water companies and researchers.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Strategy

A strategy is simply a plan. It is an executable plan of action that describes how an organization will achieve a stated mission. It is working hard to understand a customer's inherent needs and then rethinking what a category of product is all about (Kenichi, 1998). Organizations often formulate company strategies, product and service strategies, and strategies that drive operational, support and managerial processes. A good company strategy has to have at least four components (Machel and Grisby, 1997): *Scope* which define company's and business i.e. the present and planned interactions of the company with its environment, *competence*-which is an indication of the level and patterns of the company's and *competence advantage*-the unique position a company will develop vis-à-vis its competitors through its resource deployments and scope decisions. Last is *Synergy*, which is the joint effect that is sought from the company's resources deployment and the company scope decisions.

It's paramount that a company has to achieve a fit with its environment for it to succeed. Strategy is a multi-dimensional concept and various authors have defined Strategy in different ways. Many definitions not only attempt to define what a strategy is, but also contain information regarding how a strategy is created and what it is expected to achieve. Porter (1996), states that, "a strategy is the creation of a unique and valued position involving a different set of activities". It is the match between an organization's resources and skills and the environmental opportunities and risks it faces, and the purpose it wishes to accomplish. It consists of competitive moves and business approaches to produce successful performance. It is the management's "game plan" for running the business, strengthening the firm's competitive position, satisfying customers and achieving performance targets.

Strategy is all about combining activities into a reinforcing system that creates a dynamic fit with the environment**.** This reinforcing system creates the requisite fit between what the firm needs and what its activities are. Porter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing; involving a set of activities that nearly fit together and is consistent. On the other hand commercial strategy sets out the high level approach to meeting a vision, objectives and values for the conduct of commercial activity in an organization. It describes a concerted approach for an organization commercial activity.

An effective commercial strategy depends on close alignment with your engagement and content strategies. Knowing what your users want and knowing the value of your content will define how you commercialize your offering.An organization’s strategy must be appropriate for its resources, environmental circumstances, and core objectives. The process involves matching the company's strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. A good corporate strategy should integrate an organization’s goals, policies, and action sequences (tactics) into a cohesive whole, and must be based on business realities. Business enterprises can fail despite 'excellent' strategy because the world changes in a way they failed to understand (David, 2005). Strategy must connect with vision, purpose and likely future trends.

Challenges to strategy implementation process must be identified and addressed as they can hinder even the best strategy from being implemented successfully. In Kenya water sector a study on the commercialization process was carried out by Mukundi (1999). Muiruri (2003) conducted a survey on factors influencing management of commercialized Urban Water Services in Kenya. A further study to identify whether the commercialization so far undertaken in Kenya had successfully responded to the challenges was carried out by Atak (2004) .These studies pointed to the importance of analyzing challenges affecting water services and addressing them in order to foster improvements in the sector.

Implementation of strategies can lead to certain challenges, which may hinder the effectiveness of firms in utilization of strategies identified and employed. Three types of strategic challenges have been identified that may hamper a firm's ability to grasp new opportunities: they require massive amounts of resources, and the regulatory issues imposed by the government and the ability of company owners and managers. Other challenges may arise from structural and economic barriers inherent in the industry. The real challenge in implementation of a generic strategy is in recognizing all support activities and putting them in place correctly. According to Thompson et al (2007) the most important fits are between strategy and organization capabilities, between strategy and reward structures, between strategy and internal support systems and between strategy and organization culture. Fitting the organization internal practices to what is needed for strategic success helps unite the organization behind the accomplishment of a strategy.

Nyokabi (2001) stated that the challenges facing the Kenyan Independent Petroleum Dealers Association include low customer confidence, negative publicity, stiff competition from established outlets, insufficient funds for advertising, having few outlets, increased overheads, fluctuating prices and low sales. Overall the competitive strategies most utilized were identified as looking for reliable suppliers, using suppliers who deliver first and serving all customers.

Karanja (2002) states that the most popular type of competitive strategy employed by real estate firms was on the basis of differentiation. The study further found out the major challenges facing these firms to be the rising level of interest rates and inflation. These studies points out those local firms apply competitive strategies that are unique and sector specific; hence, cannot be generalized.

Johnson et al (2005) stated that challenges in strategy implementation could arise from issues of ensuring control, managing knowledge, coping with speed of change and increased levels of uncertainty in the business and responding to globalization challenge.

Communication has been cited as the most important issue encouraged while implementing strategy.

Porter (1980: 17) has described a category scheme consisting of three general types of strategies that are commonly used by businesses. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. *Strategic scope* is a demand-side dimension and looks at the size and composition of the market a firm intends to target. *Strategic strength* is a supply-side dimension and looks at the strength or core competency of the firm. In particular he identified two competencies that he felt were most important: product differentiation and product cost.

The cost leadership strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

Differentiation involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand-loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy.

In focus strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to select targets that are less vulnerable to substitutes or where competition is weakest to earn above-average return on investments.

Several commentators have questioned the use of generic strategies claiming they lack specificity, lack flexibility, and are limiting. In many cases trying to apply generic strategies is like trying to fit a round peg into one of three square holes: You might get the peg into one of the holes, but it will not be a good fit.

In particular, Millar (1992) questions the notion of being "caught in the middle". He claims that there is a viable middle ground between strategies. Many companies, for example, have entered a market as a niche player and gradually expanded. According to Baden-Fuller and Stopford (1992) the most successful companies are the ones that can resolve what they call "the dilemma of opposites".

Strategy is an executable plan of action that describes how an organization will achieve a stated mission. Organizations often formulate company strategies, product and service strategies, and strategies that drive operational, support and managerial processes. Competitive strategy concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlines three approaches to competitive strategy, which lead to the Porters generic strategies. These models are: low cost leadership strategy, differentiation strategy and focus strategy.

1.1.2 Water and Sewerage Services in Kenya

The fact that water is essential for both consumption and for sanitation is not in doubt. Its management determines how people relate to their health, socio – cultural, economic development and their environment. Poor performance of urban water provision and public utilities in developing countries has led to calls for reduction in the role of the state and increased role of the private sector in what has traditionally been the domain of the public service. The challenges faced by Water Service Providers in urban areas are wide and varied. They include rapid population growth due to rural-urban migration and the changing profile of these populations with increasing percentage being poor. Globally governments have responded by implementing various water provision models, including fully fledged privatization, commercialization, concessions and management contracts. In Kenya the Government initiated interventions in 1986 with the production of a Sessional Paper (1986) that stipulated the necessary measures to achieve commercialization.

According to data available supplied by the Ministry of Water and Irrigation and the UN-Habitat head office in Nairobi, a large number of people lacking access to safe drinking water and sanitation facilities is one of the Kenyan capitals common features. According to the Water ministry, Kenya's urban dwellers bear the blunt of the problem. In fact, a number of small townships have little or no public provision of the vital commodity. The Ministry Water and Irrigation indicated that the situation is better in bigger urban settlements and cities, although a myriad of water and sanitation related problems persist. For example, while a majority of households has access to piped water in urban centers the estimate suggested that only 29% had their own connections. Very few parts of the city receive a continuous supply, while some residents have had no water in their pipes for several years.

However, the recent commercialization of the water and sewerage sector, formerly under city and town authorities has brought hope that some light will shine on the water sector, and that supply will be convenient, and accurate billing system put in place. Officials of the newly formed private water and sewerage service providers, which are up and working in cities such as Nairobi, Eldoret and Kisumu, say getting water connected to the neighbor hoods now only requires one to make an application to the technical director. The quality of equipments used, and the distance from the main tap will, however, determine the charges to be paid to the water companies. The priority areas of focus will now be to modernize and upgrade the city's water supply and sanitation system. It is envisaged that with the new water sector reforms being undertaken in Kenya, water shortages will be a thing of the past and every housing estate will have adequate safe and clean drinking water while in informal settlements; the commodity will be supplied water at subsidized rates.

Commercialization of the water sector increased in momentum after the enactment of Water Act 2002 which resulted in the repeal of Water Act Cap 372 and the amendment of Local Government Act cap 265. The enactments resulted in the transfer of water and sewerage operations from local authorities to autonomous entities. Nairobi City Water and Sewerage Company was formed in year 2004 to take over the activities of the former Water and Sewerage Department of the City Council of Nairobi. The company is fully owned by the CCN.

1.1.3 Nairobi City Water and Sewerage Company

The Nairobi City Water and Sewerage Company (NCWSC) was incorporated in December 2003 under the companies Act, Cap 486. It is a wholly owned subsidiary of the City Council of Nairobi (CCN). It has its headquarters at Kampala Road, Industrial Area with five Regional centers at Karen- Western, Nairobi Dam – Southern, Eastleigh – Northern, Kariobangi – Eastern and Charan Centre – Central. The Company’s formation arose from the enactment of the new Water Act 2002, which created new institutions to mange water resources and services in Kenya.

The Company took over the provision of water and sewerage services within Nairobi and its environs hitherto provided by the Water and Sewerage Department of the CCN. The company was appointed by Athi Water Services Board(AWSB) provide Water and Sewerage services to its residents under the terms of the service provision agreement(SPA) with the aim of ensuring adequate and quality supply of water, affordable tariffs, maintenance and improvement of water and sewerage infrastructure. There was also a tripartite agreement between the CCN, AWSB and NCWSC by which

AWSB leased assets of CCN in line with the requirements of the Water Act 2002 which AWSB the right to acquire the full use of those assets. Other agreements include those for Agency and Operational assets between the CCN and NCWSC.

The provision of WSS is regulated by the Water services Regulatory Board (WSRB) which oversees the setting of tariffs and quality of services. The policy role is held by the Ministry of Water and Irrigation while Water Resources Management Authority (WRMA) takes care of preservation of water resources by protection catchment areas. The separation of roles has ended the conflicting roles of various ministries and institutions which previously carried out water and sanitation services.

1.2 Statement of Problem

Poor performance of urban water provision and public utilities in developing countries has led to calls for reduction in the role of the State and the increased role of the Private Sector in what had traditionally been the domain of the public service Atak (2004). The Provision of Water and Sewerage Services has for a long time been characterized by inefficient management and poor investment. Implementation of the commercialization process in bits and pieces while tackling each and every isolated problem separately proved to be ineffective and time wasting. Poor state of water and sanitation services has in the recent past attracted a lot of public interest. The public blamed the local authorities for the poor services. The move to commercialize these services to improve on efficiency in services provision has been echoed by both public and the executive arm of the Government. The critical factor is what strategies the water companies can put in place to turn around the low level of service provision to meet customer requirements and at the same time run the services in a sustainable manner. This calls for effective commercialization through strategies which can drive the business.

In terms of Management, Nairobi Water and Sewerage Company faces big challenges in water supply in the face of the mushrooming of unplanned settlements. The infrastructure development was neglected for many years and there was general inefficiency in services provision. Unaccounted for water poses one of the biggest challenges as the company has to address illegal connections, huge unpaid bills and a poorly maintained infrastructure which results in huge technical losses of water through leaks and busts along the pipelines. Water production levels to the city are below demand as the dams do not operate at full capacity.

A number of studies have been carried out to determine how best water and sewerage services can be delivered in Kenya's urban areas. Atak (2004) carried out a study to identify whether the commercialization so far undertaken in Kenya had successfully responded to the challenges facing the water sector, and to give recommendations on whether other water provision models might provide better results. Barasa (1997) dealt with management of water by the City Council of Nairobi where he noted that the City council had a lot of mismanagement and neglect of water supply system in Nairobi. Mukundi (1999) on the other hand looked at reasons and modalities for commercialization of water services at the Nyeri Municipal Council. Kanyuiro (1988) looked at metering and billing inefficiencies with a view to addressing an aspect contributing to water problems at the CCN. This therefore raises a research question on strategies adopted by private water firms so as to meet clients' needs. The main focus shall be on Nairobi Water and Sewerage Company.

1.3 Research questions

This study seeks to answer the following research questions:

a) What strategies have been adopted by Nairobi Water and Sewerage Company?
b) What challenges has the company faced in formulating and implementing the chosen strategies?

1.4 Research objectives

The research objective of this study will be

a) To establish the strategies adopted by Nairobi Water and Sewerage Company in its endeavors to provide excellent water and sewerage services to Kenyans.

b) To establish the challenges faced in the formulation and implementation of strategies.

1.5 Importance of the study

The study will be useful information to the following:

a) To Nairobi Water and Sewerage Company, it will provide information on the strategies applied in management and how they influence the performance and long-term success of the organization
b) To the government and other implementing agents: which are the key factors that limit implementation process and how to identify intervention points to fasten commercialization of the water sector.
c) To private water companies this study will help them strengthen the managerial and operational capabilities required by managers to operate and maintain water and sanitation services according to acceptable norms of quality, continuity, reliability and costs.
d) To academicians and researchers, this will be used as a basis for further research into areas such as strategic formulation, implementation and operational strategies which may be applied by other private water firms in Kenya

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

The concept of strategy is a subject that has been discussed by many scholars over the last three decades. There is no agreed all embracing definition of strategy (Grant, 2000: 240). Indeed, strategy is an elusive and somewhat abstract concept. He argues that this is expected when dealing with an area that is constantly developing. Strategy is the direction and scope of an organization over a long term. Strategies are systematic choices about how to deploy resources to achieve goals.

A strategy is a long term plan of action designed to achieve a particular (winning) goal (Thompson and Strickland, 2007:120). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. For any company, the search is an iterative process that begins with recognition of where you are now and what you have now. Your most dangerous competitors are those that are most like you. The differences between a firm and its competitors are the basis of its advantage. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen (Clayton, 1997:10) at some other firm's expense.

Strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers.

Concepts, theories, and analytic frameworks are not alternatives or substitutes for experience, commitment, and creativity (Grant, 2000: 27). They do provide useful frames for organizing and assessing the vast amount of information available on the firm and its environment and for guiding decisions, and may even act to stimulate rather than repress creativity and innovation.

The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprises decisions also permits the application of powerful analytical tools to help companies create and redirect their strategies. Strategy can help the firm establish long term direction in its development and behaviour (Hamel & Prahalad, 1993:80).

Equally important, a strategy serves as a vehicle for achieving consistent decision-making across different departments and individuals. Hamel & Prahalad (1989: 74) views organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination, it requires that the strategy process act as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion at the businesses and the corporate headquarters (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Buzzell &Gale, 1989: 43).

Thompson and Strickland (2007: 54) argue that increasingly, strategic planning processes are becoming part of companies *knowledge management* systems: as management becomes increasingly concerned with how companies create, store, transfer, and deploy knowledge assets, so strategic planning becomes an integral part of how deeply-embedded understanding of businesses and their environments become transferred between business units, divisional, and corporate levels and how the knowledge of many different managers and functional experts becomes integrated within strategy.

Strategy is forward looking. A fundamental concern is what the firm (or the individual or the organization more generally) wants to be in the future. Such a view is often made explicit in a statement of company *vision*. The purpose of such goal setting is not just to establish a direction to guide the formulation of strategy, but also to set aspirations for the company that can create the motivation for outstanding performance. Hamel and Prahalad (1989: 79) argue that a critical ingredient in the strategies of outstandingly successful companies is what they term “strategic intent”—an obsession with achieving leadership within the field of endeavor.

Strategy process in facilitating communication and coordination must recognize the importance of intuition, tacit knowledge, and learning-by-doing in complementing more “scientific” analysis. However unlike mathematics, chemistry, or even economics, strategic management lacks an agreed-upon, internally consistent, empirically validated body of theory. Though it employs theory and theoretical concepts, these are drawn mainly from economics, psychology, ecology and sociology—principally on an ad hoc basis (Buzzell & Gale, 1987: 87).

2.2 Competitive strategies

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and reengineering (Machel and Grisby, 1997: 110). Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. Gradually, the tools have taken the place of strategy.

Porter (1980:67) argues that operational effectiveness, although necessary for superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match. Hitt et al (1997) hold that a winning competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs. Njau (2000) on the other hand argues that as managers push to improve on all fronts, they move further away from viable competitive positions.

The goal of much of business strategy is to achieve a sustainable competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Kombo (1997) argues that a competitive advantage therefore enables the firm to create superior value for its customers and higher profits for itself.

The resource-based view (RBV) is an economic tool used to determine the strategic resources available to a firm. The elemental principle of the RBV is that the basis for a competitive advantage of a firm lies largely in the application of the pack of valuable resources at the firm's disposal (Buzzel and Gale, 1984: 204). Transforming a short-run competitive advantage into a sustained competitive advantage requires that these resources are diverse in nature and not perfectly mobile (Barney, 1991). This translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Hoopes, 2003).

Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

A competitive advantage can be attained if the current strategy is value creating, and not currently being implemented by present or possible future competitors (Barney, 1991:102). Although a competitive advantage has the ability to become sustained, this is not necessarily the case. A competing firm can enter the market with a resource that has the ability to invalidate the prior firm's competitive advantage, which results in reduced (read: normal) rents (Barney, 1986b, 58).

Sustainability in the context of a sustainable competitive advantage is independent with regards to the time frame. Rather, a competitive advantage is sustainable when the efforts by competitors to render the competitive advantage redundant have ceased (Rumelt, 1984). When the imitative actions have come to an end without disrupting the firm's competitive advantage, the firm's strategy can be called sustainable. This is contrary to other views (e.g. Porter, 1985) that competitive advantage is sustained when it provides above-average returns in the long run.

2.3 Differentiation strategy

Aaker (1984) defines a differentiation strategy as one in which a product is different from that of one or more competitors in a way that is valued by the customers or in some way affects customers' choice. A successful differentiation strategy allows firm to earn above the average returns. Aaker (1984) further argues that a differentiation strategy is often but not always associated with higher price because it usually makes price less critical. It provides the organization with insulator to competitors because of the brand loyalty and the need to overcome the uniqueness. Differentiation strategy has successfully been used to build customer loyalty and compete effectively in the market. Through differentiation a customer is given reason to choose the brand and not any other service or product.

Although all products or services can be differentiated not all brand differences are worthwhile or meaningful to the customers (Kotler, 2000; Porter 1980; Aaker 1984). The challenge is to establish a difference that is relevant to customers. An organization is also faced with a challenge of how many differences to promote (Aaker, 1984). This will help an organization to avoid the risks of over-positioning, under-positioning, confused positioning and doubtful positioning. In addition, success of a differentiation strategy lies in adopting a differentiation that is important to customers, distinctive, superior, per-emptive, affordable and profitable.

2.4 Ansoff Growth Strategies: Product/Market Matrix

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies:

a) *Market penetration (existing markets, existing products)*:

Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions.

b) *Product development (existing markets, new products)*:

A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive.

c) *Market development (new markets, existing products)*:

An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm.

d) *Diversification (results in the company entering new markets where it had no presence before)*.

It usually requires new skills, new techniques, and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience.

The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than `penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line. For this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options that are open.

2.5 Grand Strategies

Firm may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. Market entry strategies may include acquisitions, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new products. This will be aimed at reducing risks through diversification as a means of responding towards competitive forces could be related or unrelated. Related diversification may take the form of vertical or horizontal integration. In the face of increased competition this has the benefit of cost reduction, defensive market power, and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it closer to its customers. Forward diversification may involve acquisitions of businesses not within the current product and market scope (Pearce and Robinson, 1997).

Bernard (1938) and Simon (1957) recognized that firms on their own can not create resources and capabilities needed to prosper and grow; they identified collaboration as a viable way of combining resources in business opportunities. As argued by Harrigan (1985) strategic alliances are more likely to succeed when players possesses complementary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfillment of its strategic objectives. A firm will furthermore need to posses knowledge base in the same area, since only such similarity will allow an understanding of the intricacies of the new knowledge as well as of its applicability to the firms unique circumstances (Coher and Levintal, 1990).

Firms use differentiation as a response technique to increased competition by firms. A firm can also result to creating entry, mobility and substitute barriers to strategic groups. Such barriers can be in the form of differentiation that makes it difficult to imitate products (Shushil, 1990). Firms can also respond to competition by collaborating with other players in the industry. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. Schollei (1999) argues that in order to fortify a firm's position against predators from abroad, it is important to collaborate. Collaboration also reduces the cost of differentiation and enhances competitive advantage (Morrison and Lee, 1990).

2.6 Franchising

This is a cooperative strategy that is an alternative to diversification. It provides an alternative to vertical integration that achieves relatively strong centralized control without significant capital investment (Hitt, 1997). Business format franchising is characterized by an ongoing business relationship between franchiser and franchises that includes not only the product, service and trademark but also the entire business format itself, a marketing strategy and plan, operation manual and standards, quality control and a continuing two way communication.

2.7 Expansion strategies

Expansion strategies are game plans to grow and position a firm in a competitive manner. Firms usually apply expansion strategies to grow bigger in size in order to gain from economies of scale; risk reduction through diversification; increase their market share and profitability; improve their financial strength and improve technological capacity.

As a crucial driver of success and sustainability, growth allows firms to expand their portfolio by providing their products and services to a larger number of clients while at the same time fulfilling other missions. Organizations can use a variety of organizational structures to facilitate expansion, including: Growing existing operations, legal restructuring, franchising, strategic alliances, mergers and Acquisitions (Picard and Robert, 2000).

There are two models that help answer this question. These are**:** Customer-centric approach and firm-centric approach. In the customer-centric approach, the organizations first seek to understand customer needs and demands. This includes current and future trends in the marketplace. Once the organization determines the types of products and services customers are demanding it must then consider whether it can meet these needs given its internal capabilities and resources. The organization must also consider how offering these products and services fits into its overall strategy. If it determines that its internal capabilities cannot meet these customer needs, yet offering these particular products and services fits into its overall strategy, it should begin considering various expansion strategies. Furthermore, the organization should consider which other organizations offer the products and services the customer is demanding then it can consider opportunities to partner or potentially acquire.

In the firm-centric approach, an organization evaluates its internal capabilities (core competencies, current product offering, legal structure, and available resources). If these internal capabilities cannot meet external market factors (such as increased competition, increased commoditization, increased customer demand, etc.), the organization should consider various expansion strategies (Doyle, 2002).

Expansion strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of expansion is to allow the company to enter lines of business that are different from current operations. When the new venture is strategically related to the existing lines of business, it is called concentric diversification. Conglomerate expansion occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated.

Any company’s strategic emphasis is increasing sales volumes, boosting market share and cultivating a loyal clientele. Profits are then re invested to grow the business. Price, quality and promotion are tailored to meet customer needs. It’s then that opportunities for geographical market expansion are pursued next. The natural sequence for geographical expansion is local to regional to national to international. The degree of penetration will however differ from area to area depending on the profit potentials (Thompson and Strickland, 1993)

There are three types of expansion, Concentric, Horizontal and Conglomerate. In the concentric expansion, the organization adds new products or services which have technological or commercial synergies with current products and which will appeal to new customer groups. The objective is therefore to benefit from synergy effects due to the complementarities of activities, and thus to expand the firm’s market by attracting new groups of buyers. In the horizontal expansion the organization adds new products or services that are technologically or commercially unrelated to current products, but which may appeal to current customers.

In a competitive environment, this form of expansion is desirable if the present customers are loyal to the current products and if the new products are of good quality and are well promoted and priced. Moreover, the new products are marketed to the same economic environment as the existing products, which may lead to rigidity and instability. In other words, this strategy tends to increase the firm’s dependence on certain market segments (Machel, 1972)

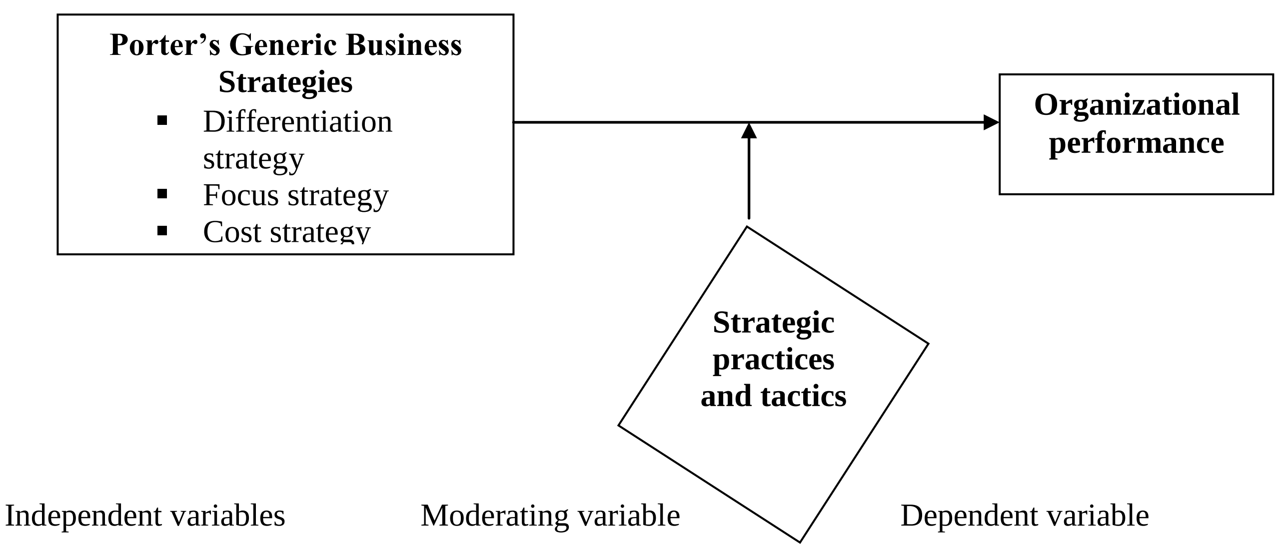
In the conglomerate expansion, the organization markets new products or services that have no technological or commercial synergies with current products, but which may appeal to new groups of customers. The conglomerate expansion has little relationship with the firm’s current business. Therefore, the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

The strategies of expansion can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options. This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company (Machel, 1972)

2.8 Theoretical framework

An organisation can decide to employ one or a combination of strategies. The strategies are differentiation, focus and cost strategy. When either or a combination of strategies that fits a specific firm is chosen and better strategic tactics are used to effect the chosen strategy, the results are better performance for the organisation. However, when the tactic employed are not relevant to the chosen strategy, it will be difficult for the organisation to realize its full potential hence decline in organisation performance. The relationship is presented in the schematic diagram below. The independent variables are the Porter's generic business strategies and the dependent variable is organizational performance. The relationship between the dependent and independent variables are moderated by the strategic practices an organisation employs.

Figure 1: Schematic diagram for the theoretical framework



Source: Author (2007)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This is a case study. The case study method gives in-depth information on the responses of NWSC to the challenges of environmental change, especially competition, and a deeper understanding of how the organization has implemented strategic change management. In general, a case study is a qualitative study that has been narrowed down to a specific unit but comprehensive enough to give representative information for similar units operating in the same environment. The use of case study in research is of particular importance taking in to account the advantages that come along with it. It is the easiest research free form material bias and enables one to intensively study a particular unit. This may not be possible with other methods of study. Nevertheless, scientific generalizations with respect to similar units operating in the same environment but in different geographical regions may be done with minimum complexity. A case study was chosen because as Patton (2002) reiterates, in-depth case studies provide much more detailed information, but about a limited number of people and cases.

3.2 Population

The target population of this study were the branches of the Nairobi Water and Sewerage Company operating in the City of Nairobi. These are made up of the Head Office and the Regional Business centres which form the Commercial Department of NCWSC. Most of the operations are concentrated in the City although there are offices within the Dam sites but report to the Technical Director who is based at the Head Office.

The sample for this study was ten respondents made up of senior management staff at the Head Office of the company namely the Managing Director, Commercial Director, Financial Director, Technical Director and Human Resources Director, as well as the five Regional heads of regional business centres of Southern, Eastern, Western, Northern and Central region which are all located within the City of Nairobi and its boundaries. These centers carry out the commercial operations of the Company. The sample size consisted of managers who are involved in both strategy formulation and implementation is therefore able to give information and data required for the study. This sample was considered large enough to provide a general view of the operations and serve as a good basis for valid and reliable conclusions. The same method was adopted by Mwove (2006).

3.3 Data Collection Method

Data was obtained both from primary and secondary sources. Primary data was collected using a semi-structured questionnaire. The Respondents were the executive directors headed by the Managing Director, and the Heads of regions which carry out the commercial operations of NCWSC. Ten senior managers in the organization namely the Managing Director, Executive Directors in Finance, Commercial Operations, and Technical Services together with six heads of business centres were asked to fill the questionnaire.

Given the positions and busy schedules of the office holders, drop and pick method, that is a variation of the mail survey method, was used to administer the questionnaire. Follow up was done via personal visits and telephone calls to facilitate responses and also to enhance the response rate. Secondary data was obtained from the company's published reports.

3.4 Data Analysis

Data was analysed by content analysis, inferential and descriptive statistics. Descriptive statistics, which includes the mean score, standard deviation and frequency distribution, enabled the researcher to meaningfully describe the distribution of measurement. This information helped determine the most common challenges faced in the company.

The mean scores were used to analyse quantitative data. The mean score was also used to determine the most common commercial strategies used by the company. The Statistical Package for Social Sciences (SPSS) was used to generate data that was used for analysis.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the analysis and the findings of the study. The data is summarized and presented in form of tables and charts. Charts are used where the type of data allows for presentation in that form and this allows a clearer picture of issues. Tables have been used to present summaries in forms of percentages and measures of central tendency. The questionnaire was designed and sent to the directors and managers of the company. The response rate was 100 per cent. The questionnaire was a semi-structured one and was divided into three parts named A, B and C. Part A contained questions on general information. Part B of the questionnaire touched on the strategies adopted by the firm while part C asked questions on the challenges facing the firm in implementing the adopted strategies.

4.2 Profile of company and the respondents

The form of organization structure is critical for success in strategy implementation as it constitutes a principal element of the institutional capability which affects both efficiency and effectiveness of the organization. The organization structure in the NCWSC is a simple functional structure with very clear chain of command and delineation of responsibilities. The structure of the company can be observed in appendix 3. The organization structure is a three level structure. This structure allows for positive responsiveness in case of emergencies water shortages.

The respondents were drawn from all departments with the Managing director and all the five directors plus five regional managers being the respondents to the questionnaire. The analysis in the pie chart below (Fig. 1) shows the analysis of the respondent based on the positions in the organisation. The position of respondents has a bearing on the kind of responses they give. Since they constitute the top decision making organ of the company, they are in a much better position to understand matters of strategy in the company.

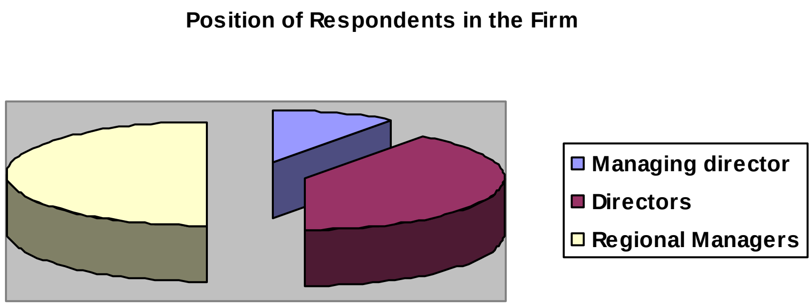


Figure 2: Position of respondents in the company

The questionnaire also sought responses to the number of years the respondents had worked in the organisation. From the analysis presented in the bar graph below (Fig. 2), 50 per cent of the respondents have been with the organisation within a period of 4-6 years, while 40 per cent have been working for the organization for a period of 1-3 years. Only 10 per cent of the respondents have worked in the organization for a period exceeding 6 years. No respondents had been in the organization for more than 10 years. The experience of the respondents can be said to have an impact on the way strategies are implemented and the kind of strategies chosen. Young employees tend to be more of risk takers than the old employees and therefore dictate what strategies each group takes.

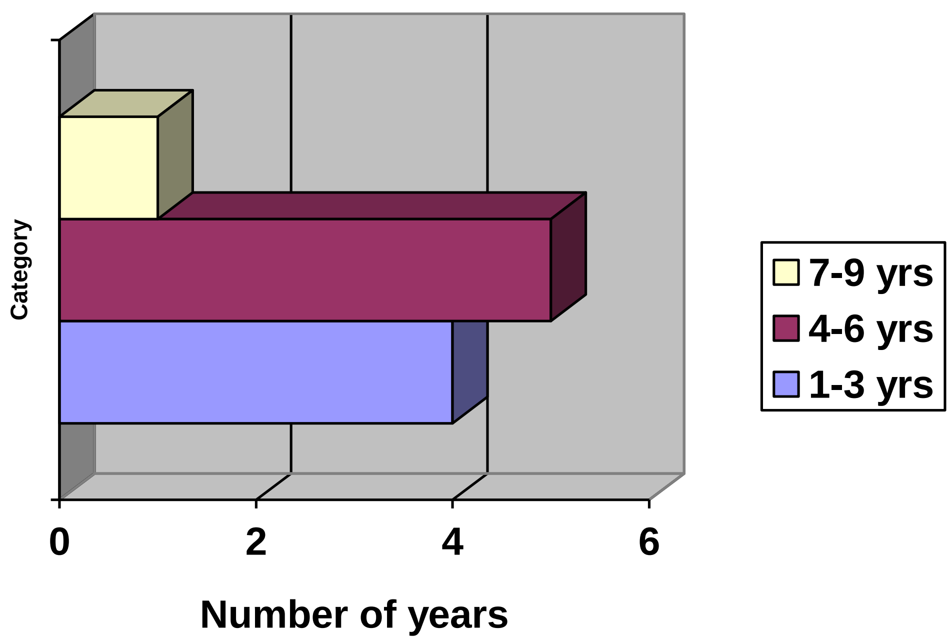


Figure 3: Experience of respondents in the company

4.3 Issues of strategy

From the questionnaire, the researcher wanted to find out if the company has a documented mission and vision statement. The respondents affirmed 100 per cent that they had a formal mission and vision statement. Planning gives focus and objective approach to realization of an organization's goals. The fact that the company has a clearly written down mission statement and objectives implies that the company has clearly defined what it aims to achieve. The employees don't therefore need to follow their own objectives but the objectives of the firm. This sense of direction is important for coordination purposes and to endure that no time is wasted in employees trying to think which direction to take so as to reach wherever they want to go.

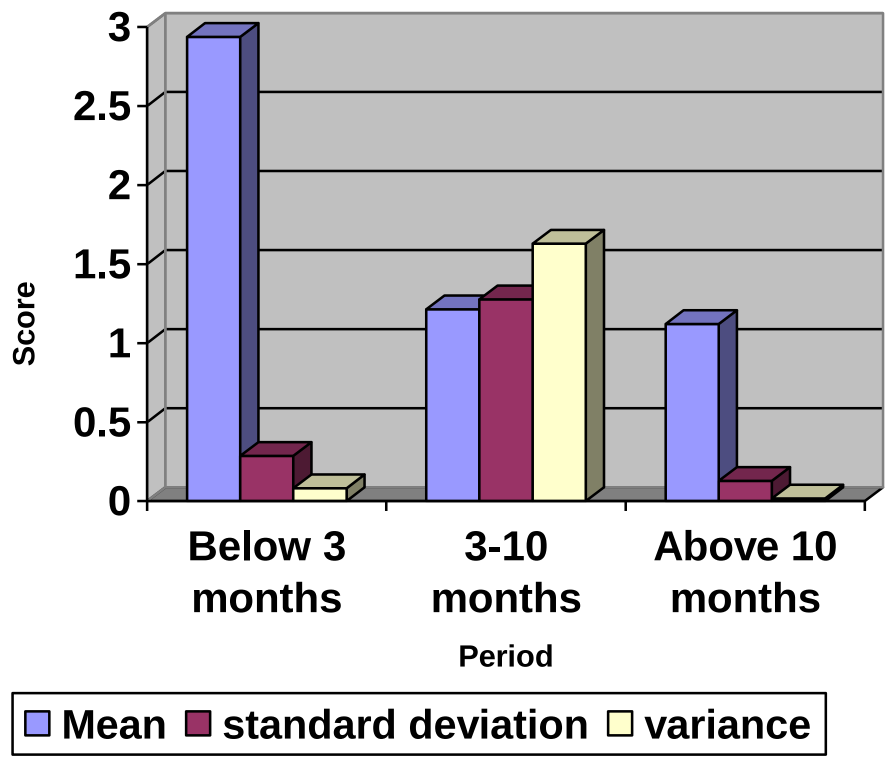
The respondents were then asked to state who were involved in the formulation of the mission and vision statements. It was found out that the strategy was formulated by several people in the firm including the managing director, directors, senior managers and regional managers alike. The junior staffs are also involved in strategy making as their views are sought before any strategy is finally adopted.

The mission and vision, according to the findings, are reviewed every 5 years so as to remain relevant with the changing environment. The study also found out that once a decision is made, it takes below 3 months for it to be implemented. This shows that strategies take a very short time to be implemented. This is presented in table 1 below.

Table 1: Time taken for strategy to be implemented

	Mean	Standard deviation	Variance
Below 3 months	2.934	0.287	0.082
3 – 10 months	1.213	1.276	1.628
Above 10 months	1.121	0.129	0.017

Figure 4: Time taken for strategy to be implemented



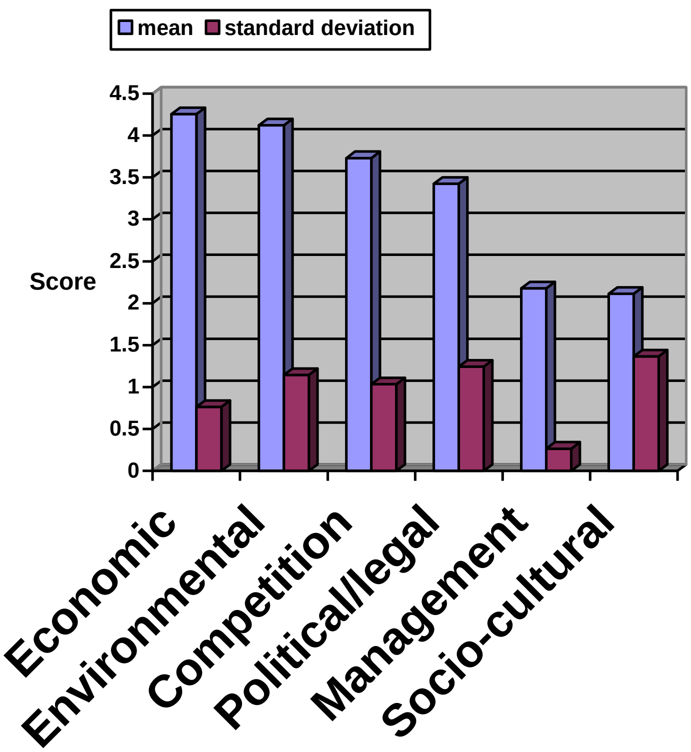
4.4 Factors affecting adoption of strategy

Respondents were asked to state to what extent the listed factors affect the adoption of strategy in their company. The ranking was to be done on a four point likert scale from great extent, moderate extent, and low extent to not at all. These were coded into 4, 3, 2, and 1 respectively. The mean scores were then calculated from the responses and the standard deviation calculated to give the results presented in table 2 below. A factor that scored below 2.5 was considered insignificant as it affected strategy either to a lower extent or did not affect the strategy at all. The results, presented in table 2 below show that the most important factors that affect adoption of strategies in the company are economic factors which had a mean of 4.256, environmental factors with a mean of 4.124, and competition and political/legal factors with a mean score of 3.732. Management policies and socio-cultural factors affect strategy adoption to a lower extent. They scored a mean of 2.179 and 2.113 respectively.

Table 2: Factors affecting adoption of strategies

Factors	Mean	Standard deviation	Variance
Economic factors	4.256	0.763	0.582
Environmental factors	4.124	1.143	1.306
Competition	3.732	1.032	1.065
Political/legal factors	3.425	1.243	1.545
Management policies	2.179	0.265	0.070
Social/Cultural factors	2.113	1.365	1.863

Figure 5: Factors affecting adoption of strategy



The fact that economic factors play a major role in strategy adoption is understandable because of the nature of the business the company engages in. The company requires modern technology equipment to ensure that its operations during water supply are not grounded. These capital investments require a lot of financial resources to purchase and maintain. Furthermore, the company hires and retains highly competent technical staff such as engineers to be able to deliver efficient services to clients. This competent staffs come with a price as they have to be well remunerated for them to feel motivated and stay in the company as they deliver their expertise to the benefit of both the firm and the clients.

Environmental issues are also very important when it comes to strategy adoption in the water sector. In this era of global warming when all companies are gearing their efforts towards conserving the environment, it is imperative that even the managers in the water sector factor in the issue of environment when crafting the strategies. The water sources must be kept clean so as to take care of health of the clients.

4.5 Extent of strategy adoption and adopted strategies

Respondents were also asked the extent to which they adopted certain strategies in their company. They were to rank the strategies on a 7 point likert scale ranging from never (0%) to always (100%). The results tabulated in table 5 below indicate that controlling the quality of products/service scored the highest mean of 6.61 out of the maximum 7 with a standard deviation of 1.213. This was followed by providing outstanding customer service with a mean of 6.56. Tight controls had a mean of 6.56 while improving operational efficiency scored a mean of 6.45. The strategies that scored the least mean scores were providing specialty products/services with a mean of 1.12 while dropping unprofitable customers scored a mean of 1.13. The rest of the analysis can be observed in table 3 below.

Table 3: Strategies adopted

	Statement	Mean	Standard deviation	Variance
1	Controlling the quality of products/services	6.65	1.213	1.471
2	Providing outstanding customer service	6.56	1.231	1.513
3	Tight control of overhead costs	6.56	1.112	1.237
4	Improving operational efficiency	6.45	0.123	0.015
5	Extensive training of marketing personnel	6.34	0.124	0.015
6	Developing a new range products and services	6.34	1.143	1.306
7	Building a positive reputation within the industry for technological leadership	6.12	1.212	1.469
8	Fostering innovation and creativity	6.02	1.234	1.523
9	Forecasting existing market growth	5.78	0.452	0.204
10	Intense supervision of frontline personnel	5.63	1.114	1.241
11	Extensive training of frontline personnel	5.49	1.003	1.006
12	Developing brand or company name identification	5.45	1.102	1.214
13	Minimizing distribution costs	5.23	1.221	1.491
14	Utilising advertising	5.12	1.112	1.237
15	Vigorous pursuit of cost reductions	4.26	0.198	0.039
16	Forecasting new market growth	4.23	1.109	1.300
17	Refining existing products/services	4.23	1.211	1.467
18	Building high market share	4.12	1.165	1.357
19	Innovation in marketing technology and methods	3.23	1.264	1.598
20	Targeting a specific market niche or segment	3.12	0.121	1.469
21	Providing products/services for high price market segments	1.21	0.123	0.015
22	Dropping unprofitable customers	1.13	0.023	0.001
23	Providing specialty products/services	1.12	0.012	0

It can be deduced from table 3 above that the firm employs more of focus-cost leadership strategies than any other strategy in the business. These are observed from the fact that the organization stresses on strategic tactics such as controlling quality of products and services, providing outstanding customer service and improving operational efficiency. Almost no product differentiation is used as a strategy in the organization as tactics such as providing specialty services and products are found at the bottom of the table.

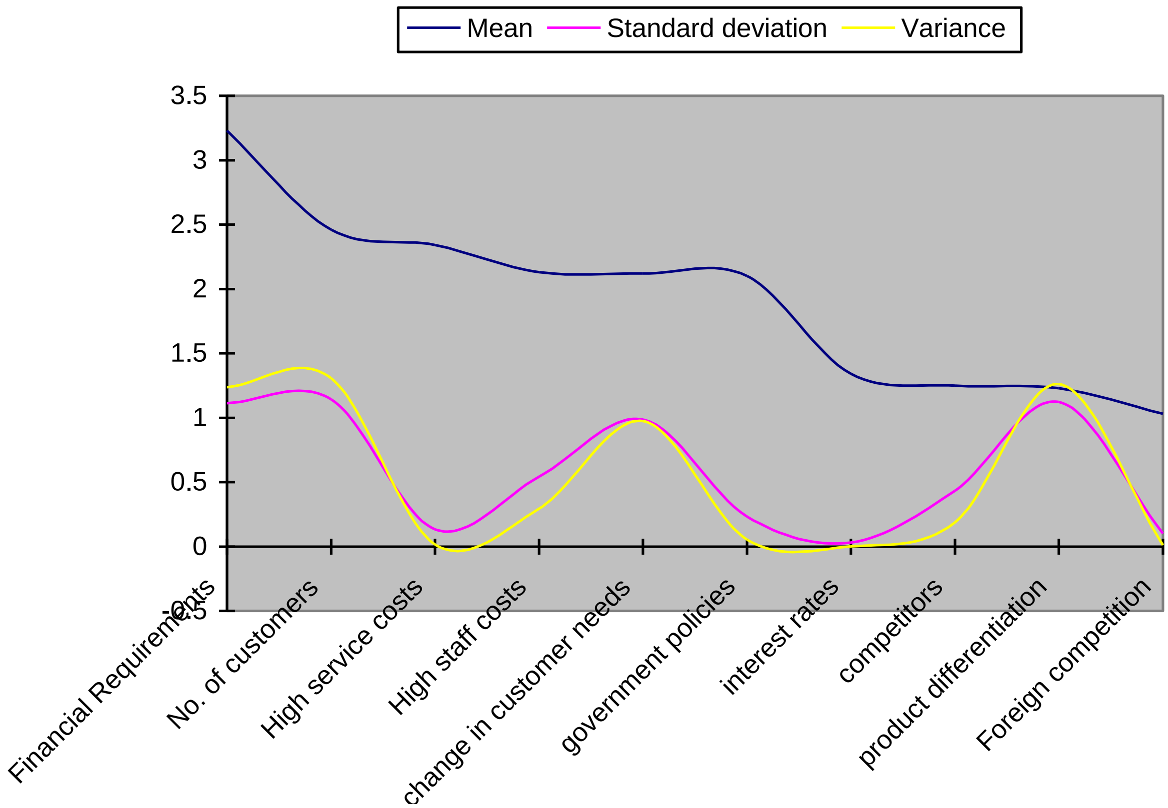
4.6 Challenges in implementing strategies

The study also sought the challenges faced by the company in implementing strategies. Huge financial requirements scored a mean of 3.23 out of the possible 4 with a mean of 1.112. Attracting large number of customers had a mean of 2.46 while high cost of maintaining quality service scored 2.34. The least scores were from foreign competition with a mean of 1.03, inability to differentiate products with a mean of 1.23, increased number of competitors with a mean of 2.5 while rapid change in interest rates had a mean of 1.34. This analysis is presented in Table 4 and Figure 5 below.

Table 4: Challenges facing the company in implementing strategies

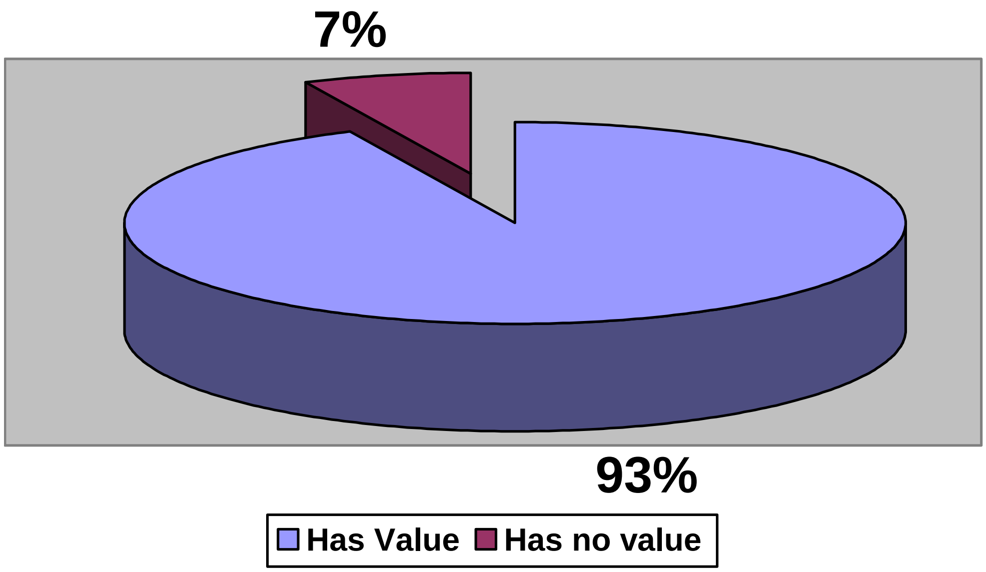
Factors	**Mean**	**Standard deviation**	**Variance**
Huge financial requirements	3.23	1.112	1.237
Attracting large number of customers	2.46	1.143	1.306
High cost of maintaining quality service	2.34	0.132	0.017
Cost of attracting maintaining skilled staff	2.13	0.543	0.295
Constant changes in customer needs	2.12	0.987	0.974
Unpredictable government policies	2.10	0.232	0.054
Rapid changes in interest rates	1.34	0.032	0.001
Increased number of competitors	1.25	0.432	0.187
Inability to differentiate products	1.23	1.123	1.261
Foreign competition	1.03	0.101	0.010

Figure 6: Challenges of implementing strategies



Huge financial resources are required for capital investments such as high technology machines such as pumps and drills and also to attract and maintain high caliber employees who can be able to respond efficiently to emergencies. The highly technical staff such as engineers are expensive to attract and retain thus huge costs are incurred and hiring and attracting them. Attracting high number of customers is also a challenge as most of the citizens want to use the services of the company but are unable to pay due to high poverty levels. The clients therefore opt for alternative water services by using local vendors for their water needs instead of using the water provided by the company.

Figure 7: Value of strategy



The respondents were also asked their opinion on the value of adopted strategies to the firm. The responses show that 93% believe that strategies add value to the company while 7% did not think so. The 7% represents those in the school of thought that strategies have no place in organizations. Summary of the analysis of employee perception on the value of strategy to the firm is presented in Figure 7 above.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

The study sought to establish strategies adopted by the Nairobi City Water and Sewerage Company in its endeavour to provide excellent water and sewerage services to its clients. It also sought to determine the factors that determine adoption of strategies in the organisation as well as the challenges the company faces in implementing those strategies.

The results show that strategy formulation is an all inclusive task at the NCWSC. This task involves all employees from the Managing Director to the junior staff. The study also revealed that it takes up to only three months before an agreed on strategy is implemented.

For the factors that affect strategy adoption and implementation, the study found out that economic factors, environmental factors, competition and political/legal factors are the major concerns of the company. The company has adopted strategies relating to the product such as quality of service and delivery. In particular, the NCWSC has adopted focus-cost strategy where the company concentrates on providing efficient services to its clients while putting into account the cost implications. This can be attributed to the fact that the market that the company serves is price sensitivity. The company has adopted strategies to ensure that they offer a wide range of services, offer quality service to customers, and engage in intensive staff training.

Huge financial requirement to implement strategies poses the biggest challenge to the company. Another challenge facing the company is the cost of attracting and maintaining skilled staff. Despite the wider acknowledgement that strategy adds value to organisations, 7% of the respondents in the company do not think that strategy adds value to the company.

In conclusion, the NCWSC had adopted focus-cost strategy to remain competitive in the market. One of the major factors determining the adoption of strategy in the company was found to be economic factors followed by environmental factors. The most pressing challenge the company faces in implementing strategies is the huge financial requirements needed to keep abreast in terms of technology and innovation including maintaining of skilled staff at the firm.

5.2 Recommendations

The study makes the following recommendations:

i. The study recommends that the company educate its entire staff on the value of strategy to the organisation so that those who do no think that strategy is important to the organisation can change their attitude and therefore be fully committed to implementing them and making them a success.
ii. The study found out that the product related strategies were the most common strategies the organization employs. The management of the company therefore needs to put measure that can ensure success of their chosen strategies.
iii. One of the major factors that limit strategy implementation has been identified as financial constraints. In order to ease commercialization of the water sector, the government needs to put this factor into consideration so as to ensure that the end users (citizens) benefit from the commercialization of water services in the country.

5.3 Limitations of Study

This study encountered some limitations. One of the limitations concerned data collection. The intended respondents were too busy to respond to the questionnaires hence the researcher had to consistently remind them to fill in the questionnaires. Some of them were also reluctant to fill in the questionnaire for fear of being accused of disclosing important company information to third parties. The respondents were also suspicious of the intentions of data collection. This was despite the efforts by the researcher to produce a signed copy from the university authorizing the researcher to collect the data from the company and citing that data collection was solely for academic purpose. The researcher had therefore to persuade them to comply.

5.4 Area for further research

Academics and researchers should explore the relationship between the choice of strategy and the overall performance of the firm in the water sector in Kenya as this study did not look at the relationship between the adopted strategy and overall performance. More descriptive surveys also need to be done to explore these relationships in the water sector as a whole.

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APPENDICES

Appendix 1: Research Questionnaire

Please fill in this questionnaire as accurately as you can. The responses here will help the researcher determine what strategies the company has adopted and will be used for purposes of this study only. The results of the study shall be available to you upon request.

PART A: PERSONAL INFORMATION

1. Department/ Section that you are Based…………………………….
2. Position held in the organization ……………………………………
3. When did you join the organization (Year)?

   1-3 years ago ( )

   4-6 years ago ( )

   7-9 years ago ( )

   Over 10 years ago ( )
4. How many employees are there in your department? ……………..

PART B: STRATEGIES ADOPTED BY THE FIRM

5. (i). Does your organization have a formal documented mission and vision statements?

Yes ( )

No ( )

(ii) If Yes in 5(i) above, please indicate those that were involved in the formulation of the company's mission and vision.

Consultants ( )

Shareholders ( )

Directors ( )

Managing director ( )

Senior Managers ( )

Regional Managers ( )

Others (Please specify) ……………………………….

6. How often are the missions and vision statements reviewed?

After every 5 Years ( )

Annually ( )

Semiannually ( )

Quarterly ( )

Other period (Please specify) ……………………….

7. Once a decision is made, how long does it take before it is implemented? (Tick)

- Below three months ( )
- Month 3-10 month ( )
- Above 10 month ( )

8. To what extent do the following factors cause the alteration of the company's mission and vision?

Statement	Great extent	Moderate extent	Low extent	Not at all
Political changes				
Economical changes				
Physical environmental changes				
Social Cultural factors				
Competitors actions				
Management policies				
Other (Please specify)				

9. How frequently are the following strategic practices used in your organisation? Tick appropriately against each of the strategic practices.

Statement	Never (0 percent)	Almost never (1-20 percent)	Sometimes (21-40 percent)	About half (41-60 percent)	Most times (61-80 percent)	Almost always (81-99 percent)	Always (100 percent)
Vigorous pursuit of cost reductions							
Providing outstanding customer service							
Improving operational efficiency							
Controlling the quality of products/services							
Intense supervision of frontline personnel							
Developing brand or company name identification							
Targeting a specific market niche or segment							
Providing specialty products/services							
Innovation in marketing technology and methods							
Forecasting new market growth							
Forecasting existing market growth							
Utilising advertising							
Fostering innovation and creativity							

Refining existing products/services							
Building a positive reputation within the industry for technological leadership							
Extensive training of marketing personnel							
Developing a new range products and services							
Building high market share							
Extensive training of frontline personnel							
Tight control of overhead costs							
Minimizing distribution costs							
Dropping unprofitable customers							
Providing products/services for high price market segments							

PART C: CHALLENGES

10. To what extent do you face the following challenges when implementing strategies?

Statement	Greater extent	Moderate extent	Low extent	Not at all
High cost of maintaining quality service				
Cost of attracting maintaining skilled staff				
Attracting large number of customers				
Inability to differentiate products				
Increased number of competitors				
Huge financial requirements				
Foreign competition				
Unpredictable government policies				
Rapid changes in interest rates				
Constant changes in customer needs				
Other (Please specify)				

11. In your own opinion, is adoption of strategies of any value to the firm?

Yes ( )

No ( )

Thank you!

Appendix 2: Letter of Authorization

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 4184160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE......17TH AUGUST 2007

TO WHOM IT MAY CONCERN

The bearer of this letter ROSE NJURA NYAGA

Registration No: D61/P/8475/04

is a Master of Business Administration (MBA) student of the University of Nairobi.

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 if you assist him/her by allowing him/her to collect data in your organization for the research.

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

J.T. KARIUKI
CO-ORDINATOR, MBA PROGRAM

Appendix 3: Introductory Letter

University of Nairobi
School of Business
Department of Business Administration
P.O. BOX 30197
NAIROBI

Nairobi City Water and Sewerage Co. Ltd
P.O Box 30656 - 00100
Nairobi

Dear Sir/Madam

RE: COLLECTION OF DATA

I am a postgraduate student at the University of Nairobi, School of Business . In order to fulfill the degree requirements, I am undertaking a management project on commercial strategies adopted by private water firms in Kenya. The title of the study is *"**Commercial Strategies adopted by Private Water Firms in Kenya: A case study of the Nairobi City Water and Sewerage Company**"*

You have been selected to form part of this study. This is to kindly request you to assist me collect the data by filling out the accompanying questionnaire. I will collect it from your remises,

The information data you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with utmost confidence.

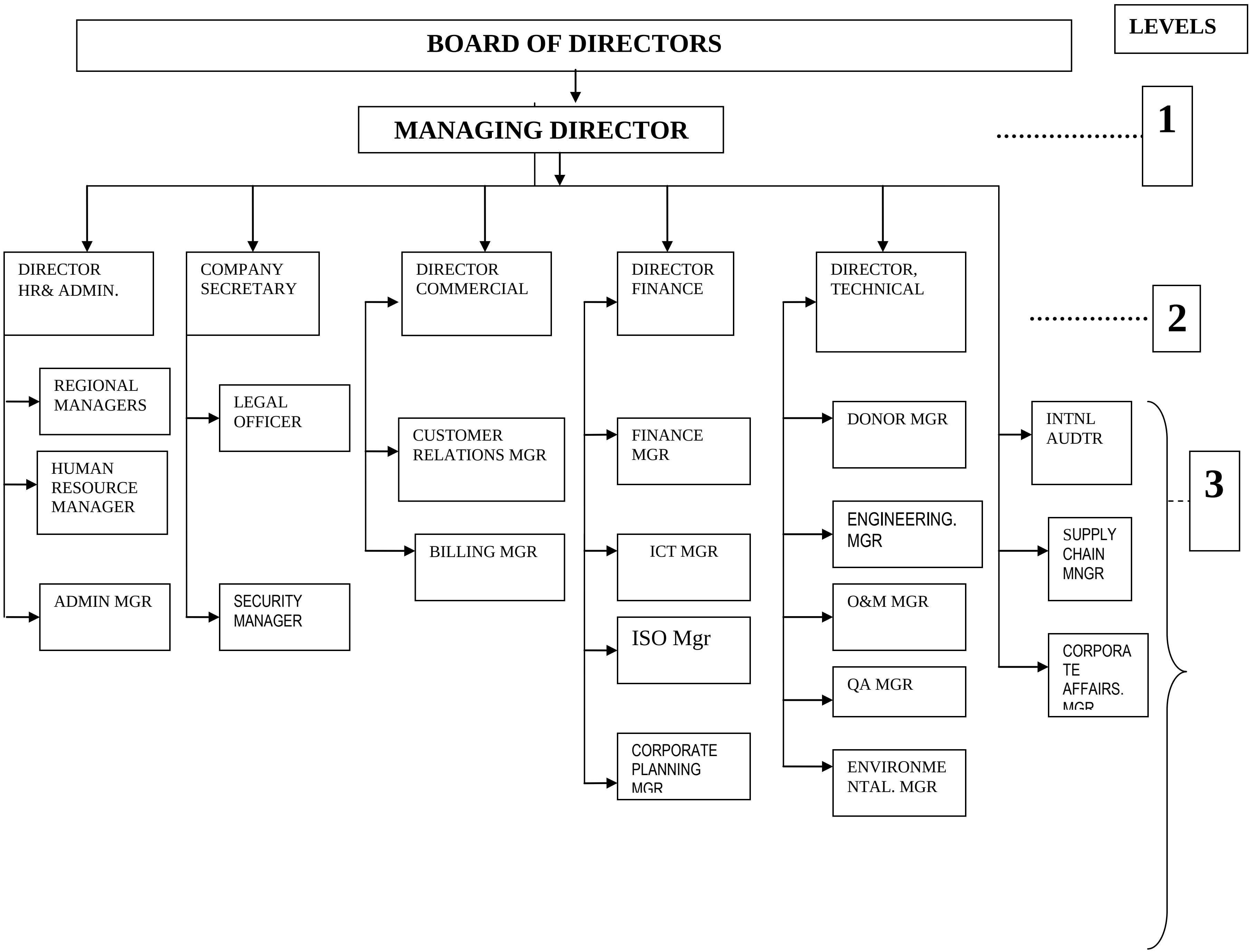
Your cooperation will be highly appreciated.

Thank you in advance.

Yours faithfully

Rose N. Nyaga — **J.M.Gathungu**

Student — **Lecturer/Supervisor**



Appendix 4: Nairobi City Water and Sewerage Company Structure