THE STRATEGIC GOALS-TO-IMPLEMENTATION GAPS AT FEDERATION OF KENYA EMPLOYERS

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2012

DECLARATION

This is to confirm that this research project report is my original work and has not been presented for examination in any university.

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DEDICATION

This work is dedicated to my unborn daughter Janoelle Hawi, whose kicks in my belly seem to say "Mommy we have to finish this work before I arrive". To my manly son Jean Gallaton for enduring many evenings and weekends without my presence. To my only sister Maryder Akinyi for halting her education so I could get a better one. And lastly to my lovely cousin Barista Emily Akinyi whose laughter, delicious meals, support and encouragement made the recipe complete throughout my schooling time for success. Ahsante sana.

ACKNOWLEDGEMENTS

I wish to acknowledge the contributions and help of the following people without whom this work would not have been a success: The Almighty God, for giving me good health and energy to bring this to its conclusion. My supervisor, Prof. Evans Aosa, for his valuable advice, guidance and support from the research paper's inception to its conclusion. My Moderator, Prof. Zack Awino for his contribution and support during my work on the research project. My friend Moses Onyango, for his unfailing support and encouragement throughout my post graduate studies. FKE Executive Director, Mrs. Jacqueline Mugo for permitting me to study the organization. And lastly, but not least, all my classmates and the friends I made in the course of the programme who in one way or the other made a positive contribution to my academic and social life.

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ABSTRACT

Strategy implementation requires ongoing deliberate action to achieve a firm's economic targets. Most leaders know that implementation is tough and can recall at least one corporate wide implementation they participated in, that failed. It is only in the last few years that leaders are starting to understand that implementation fails not because we have the wrong strategy, in most cases, but because the challenge of implementing the strategy is tougher than most Chief Executive Officers and leaders anticipate and they underestimate the whole challenge (Bossidy and Charan, 2002). This study sought to assess the extent to which strategic goals are achieved at Federation of Kenya Employers (FKE) for past two strategic periods, based on information from senior executives within the balanced score card framework. An interview guide with open ended questions was used to obtain this information. Secondary information was also obtained from audited financial statements and previous strategic plans. Content analysis was used in synthesising obtained information for meaning. The results were presented in figures using bar graphs and a pie chart. Overall, FKE was found to have experienced a strategic goals – to - implementation gap of 37.6% and 42% from its 2000 – 2004 and 2005 – 2009 strategic plans respectively. It was also found that strategy value is lost during implementation to factors such as inadequate or unavailable resources, poorly defined actions required for execution, unclear accountabilities, organizational silos and inadequate performance monitoring. The study also suggested good management practices including reward and recognition and performance tracking systems to be implemented in order to close the observed gaps.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy implementation is an enigma in many companies. The problem is illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies according to Raps (2005). The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. It is commonly known that a strategic plan is as good as its implementation. Similar strategies may be adopted by companies in the same market and environment with very different results. This is due to contextual differences as well as differences in responses to environmental changes by executives in the companies' leaders among other differences.

By 1995, a study of 73 companies (both local and foreign) investigated strategic management practices within large, private manufacturing companies in Kenya and revealed that large manufacturing companies had adopted strategic management (Aosa, 2011). However the business environment is constantly changing and companies sometimes do not have the capacity to keep up their response with the pace of change in the environment. This affects their success in implementing the strategies.

Firms in an industry typically cluster into distinct market positions. Within a cluster of highly similar market positions, one firm may perform well and another relatively poorly. The variation in the ability to execute emerges over time as the industry develops and firms experiment with alternative dynamic growth paths, some of which succeed better than others (Walker, 2005). Fortune Magazine stated that less than 10% of strategies effectively formulated are effectively executed. Companies large and small worldwide spend billions of dollars each year on strategy formulation. If Fortune is correct, only one of ten companies that do an effective job of formulating strategy is doing equally effective jobs of implementing it.

Federation of Kenya Employers (FKE) started to engage in strategic management about a decade ago. As the business environment in Kenya changes, FKE is affected as well. This requires that it responds appropriately to the environmental changes in order to remain viable and relevant to its members. It faces competition from other business membership organizations such as Kenya Association of Manufacturers, Kenya Private Sector Alliance and United Business Association among others. The extent to which the strategic goals set out in the FKE strategic plans have been achieved and the responses being undertaken to ensure better achievement of these goals were not known.

While companies publish their yearly financial performance or audited accounts, little is publicly reported on the extent to which they achieve their other strategic goals. Studies have shown that strategies often fail to be effectively implemented and companies in Kenya may not record much difference in this area as well.

1.1.1 Strategic Management

According to Hunger and Wheelen (2000), the strategic management process includes analysis of the organization and its external environment, establishment of a strategic direction, formulation of a strategy, and implementation of the strategy and development of a system of controls. Organizations seldom begin with a thorough strategic management process. Instead, they usually begin with basic financial planning or forecasting. It is a process, through which organizations analyze and learn from their internal and external environment, establish strategic direction, create strategies that are intended to move the organization in that direction, and implement those strategies, all in an effort to satisfy key stakeholders.

Strategic management involves establishing the strategic position of a company in relation to its environment, assessing its capabilities, purposes and expectations. It also involves making choices at international, regional, national, corporate, business and functional levels. These are then followed with directions and methods to achieve the choices. Implementation of strategic choices involves mobilizing and organizing/allocating resources necessary for achieving set objectives and goals as well as managing change due to the fact that businesses operate in a constantly changing environment (Ansoff and McDonnell, 1990). It is the reason some companies do better than others in the same business and environment. Strategic management encompasses both strategy and operations. It seeks to achieve efficiency and effectiveness, as well as meet both short and long term expectations.

1.1.2 Achievement of Strategic Goals

Speculand (2005) observes that nine out of ten strategies fail to be implemented successfully; Barons reported that only 15% of the 974 programs reviewed in Fiscal 2005 were rated effective; From 1917 to 1987 only 39 of the original Forbes 100 survived and only two outperformed the market, General Electric and Eastman Kodak; Kaplan and Norton, the originators of the Balance Scorecard, published that 90% of organizations fail to execute their strategies successfully; A Fortune Magazine study suggested that 70% of 10 CEOs who fail do so not because of bad strategy, but because of bad execution.

In another study of 200 companies in the Times 1000, 80% of directors said they had the right strategies but only 14% thought they were implementing them well, no doubt linked to the finding that despite 97% of directors having a 'strategic vision', only 33% reported achieving 'significant strategic success'; Harvard Business School teaches that at least 70% of all change initiatives fail; A long term study by Newcastle University, (1973 - 1989) showed that business success is governed more by how well strategies are implemented than how good the strategy is to begin with; The Economist Intelligence Unit reported that organizations realize only around 60% of their strategy's potential value because of failures in planning and execution (Speculand, 2005). The difference between the planned strategic goals and the extent to which they are achieved form the strategic goals – to – implementation gap. The size of this gap may vary from one company to another.

1.1.3 Challenges of Strategy Implementation

Strategic management involves formulation, implementation and review. Strategy implementation can be said to be the most challenging of them all. Strategy is most effectively implemented when the people involved in the operation of the business are action oriented and pragmatic. Effective strategy implementation is also a systems management activity that involves leading, motivating, organizing change, engineering business processes, and creating strong fits between strategy and how the business carries out its operations. Miller (2002) reports that organizations fail to implement more than 70 percent of their new strategic initiatives. Given this significance, the focus of strategic management has lately shifted from formulation to implementation (Hussey, 1998).

Hrebiniak (2005) observes that making strategies work presents a formidable challenge. A host of factors including politics, inertia and resistance to change, routinely can get in the way of execution process. He states that execution is crucial to success and presents a disciplined process or logical set of connected activities that enable an organization to take a start and make it work.

The guiding principles in any strategic management process, whether in the public or nonprofit organizations, are about understanding what changes are needed, how to implement these changes and how to create a roadmap for sustaining improvements that lead to better performance. The difficulty in strategic management is the challenge of laying a foundation for success in the future while meeting today's challenges. Strategic planning is based on the premise that leaders and managers must be effective strategists if their organizations are to fulfill their missions, meet their mandates and satisfy stakeholders in the years ahead (Bryson, 1995).

1.1.4 Business Membership Organizations

A business membership organization is a broad term for a group or body which has members from the business community. Typically any member of the public can join and a membership fee (also known as subscription) is payable, but arrangements vary widely. The legal form also varies widely, from very small voluntary associations, which may or may not be formally established, to very large organizations. Many membership organizations are established as charity or non profit organizations though some have commercial subsidiaries.

In Kenya, businesses form associations in order to promote certain courses that are of common interest to the investors. Examples of such business associations include Kenya Private Sector Alliance, which is the umbrella body of private sector organizations, the Kenya Bankers Association, Federation of Kenya Employers, Kenya Association of Manufacturers, Association of Kenya Insurers and Kenya Association of Builders and Civil Engineers among others. Most of these organizations offer specific services to their members in relation to the courses they champion.

1.1.5 Federation of Kenya Employers

The Federation of Kenya Employers (FKE) is a member-based employers' organization in Kenya engaged in the promotion of good management practices and protection of the members' interests in labour, employment and social-economic issues. It is a union where member employers benefit from advocacy for their interests. FKE as a secretariat offers legal and employment advisory services to members to ensure that their management practices are socially responsible and that employers comply with not only labour laws but other related legislations that affect the workplace.

Other services offered by FKE secretariat include training of managers in such workplace specific topics as occupational safety and health, discipline management, productivity improvement and performance management. FKE also offers consulting services in organizational development and review, job analysis and evaluation, review of human resource management policies, remuneration reviews, executive selection and talent search. In order to effectively lobby and advocate for the interest of employers, the secretariat carries out economic research and monitors trends that influence the labour market and workplace harmony.

1.2 Research Problem

Organizations often fail to achieve their strategic goals. This may be as a result of the challenges inherent in their implementation processes among other causes. These challenges may emanate from the quality of strategic plans, institutional relationships and capabilities of executors, the tactics used in implementation or consensus building among others. Strategic goals- to- implementation gap occurs when the planned strategic goals have not been achieved over a period of time. When this happens, there is need to measure the extent of success, interrogate causes of failure and find ways to mitigate them.

Federation of Kenya Employers has been in existence for the last 53 years. However, it only started getting involved in strategic planning in the last decade. Its extent of success in achieving goals in these plans was not known. This presented the need to assess the gaps that were experienced from the implementation process for achieving previous strategic goals. This would inform implementation of future goals for better performance.

A number of studies that had been conducted to establish the challenges of strategy implementation in Kenya by Muturi (2002), Kimithi (2006), Muthiya (2004), Githui (2006), Obare (2006) and Chepkirui (2011) provided insights on challenges faced by Kenyan firms while implementing their strategies. They found that some common challenges faced by companies included poor management practices, changes in the political environment, inflation, inadequate support in the existing organizational structure and inadequate skills/competences among others. However, these studies did not focus on the gap between the planned strategic goals and the extent to which the goals were achieved.

Different companies experience different challenges while implementing their strategic plans. As a result, they experience success of different extents hence the strategic goals to implementation gap. To what extent does Federation of Kenya Employers achieve its score card goals (financial, processes, innovation/ learning and growth, and customer satisfaction) as set forth in its strategic plans?

1.3 Research Objectives

This study sought to achieve the two objectives below.

i. To establish the gap between the goals as set in the strategic plans and the extent to which they are achieved at Federation of Kenya Employers.

ii. To find Federation of Kenya Employers' preferred ways of closing its strategic goals - to - implementation gaps.

1.4 Value of the Study

The results of this study would be useful first to Federation of Kenya Employers. The strategic goals - to - implementation gap observed in the study would inform the management of FKE about the extent to which they are successful in implementing their strategic plans. It would also suggest effective practices which can be promoted in order to reduce the strategic goals - to - implementation gaps. Thus FKE managers would need to embed these practices in their work plans in order to improve their potential for achieving set goals.

The results of this study would add value to policy makers by way of providing information that can be used in enhancing the economic viability of the business environment. Development partners would also find these results useful as they seek to support labour rights and other courses through FKE. The academia would find the results of this study useful in contributing to the body of knowledge in strategy implementation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses some of the research work that have been done which are related to the study of strategic goals – to – implementation gaps in various countries as well as those on challenges experienced by companies as they implement their strategies thus causing the said gaps. The discussions in this chapter are categorized into the concept of strategic management, implementation of strategies and managing by objectives.

2.2 The Concept of Strategic Management

Pearce and Robinson (2007) define strategy as the large scale future oriented plans for interacting with the competitive environment to achieve company objectives. It is a company's game plan and although that plan does not precisely detail all the future deployments in the organization in terms of people, finances or material, it provides a good framework for managerial decisions. Thompson, Strickland, and Gamble (2007) view strategy as a long term plan of action designed to achieve a particular winning goal.

Strategic management is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated and often practically rehearsed. It is a deliberate search for a plan of action that will develop a business's competitive advantage and compound. In any organization, the search begins with recognizing a company's position and what it has.

Mintzberg (1987) found that formal strategic planning only gave rise to deliberate strategies. Realized strategy was the outcome of both deliberate and emergent strategy. Sustainable competitive advantage cannot be achieved through operational effectiveness alone (Porter and Millar, 1985). Operational effectiveness means performing activities in their best way possible, better than rivals. Sustainable competitive advantage comes about by performing different activities from rivals or performing similar activities in different ways.

Strategy formulation involves mission statement construction and internal and external environmental scanning in a way that leads to the development of a unified set of strategic objectives, goals, and tactics to be pursued by an organization. Early strategy formulation research examined the impact of the sophistication of the planning process on firm performance (Rhyne, 1986). Sophistication was defined differently among studies, including, but not limited to, developing a written plan document for three years forward, conducting a formal planning process in some manner, or categorizing the nature of written documentation emanating from the planning process (Robinson and Pearce, 1983).

While inconsistently defined in the early literature, a firm was considered sophisticated if it conducted formalized planning when compared to firms that planned minimally or did not plan at all, and results of these studies were mixed. Bracker and Pearson (1986) and Rue and Ibrahim (1998) found a performance advantage. However, a meta-analysis of 34 strategy studies conducted by Miller and Cardinal (1994) concluded that strategic planning provides a performance advantage, citing methodological differences, including the definition of strategy sophistication, as a primary reason prior studies reported mixed planning/performance benefits.

Burt (1978) assessed the impact of strategic plan quality on firm performance. His study of 14 Australian retailing firms found that a high quality strategic plan was significantly associated with high performance, whereas low plan quality did not result in a performance advantage. As this stream of research matured, the definition of planning sophistication evolved to include the primary steps in the strategic management process, specifically mission statement, internal and external analysis, strategy formulation, implementation, control and follow-up (Bracker and Pearson, 1986).

Negandhi (1975) concludes that there is no one way of doing things. The principle of equifinality applies to the functioning of social organizations. Meaning that managers may achieve given objectives through various methods. According to him there are similarities and differences among the managers around the world. These similarities are explained in terms of industrialization or the industrial subculture while differences are explained in terms of cultural variables, which are considered the most important influencing variables. Another consideration is the appropriateness of a formal planning model given the level of volatility that the firm is facing in its industry.

Brown and Eisenhardt (1997) found that a traditional planning model might inhibit firm performance in industries experiencing rapid growth, such as the high-technology industry. For firms in rapidly changing environments, continuous improvisation in the product area must be both current and future focused if a firm is to keep pace with competitors, and therefore, traditional planning models may not translate into successful performance outcomes.

2.3 Implementation of Strategies

Sometimes a firm's strategy emerges as events unfold, but ultimately implementation requires ongoing deliberate action to achieve the firm's economic targets (Bossidy and Charan, 2002). Implementation is the substance of strategic action. It is about building the resources and capabilities that lead to competitive advantage through critical value and cost drivers. Firms in an industry typically cluster into distinct market positions. Within a cluster of highly similar market positions, one firm may perform well and another relatively poorly. The variation in the ability to execute emerges over time as the industry develops and firms experiment with alternative dynamic growth paths, some of which succeed better than others (Walker, 2005).

Implementation is the system-wide action taken by firm members aimed at accomplishing formulated strategies. Implementation is important to firm performance because strategies do not add value unless properly implemented (Heide, Gronhaug, and Johannessen, 2002). Heracleous and Langham (1996) note that strategy research fails to examine the capability of a firm's implementation effort, and Chebat (1999) suggests that implementation research receives scant attention in the literature for two reasons. First, it is mechanistic and mundane when compared to strategy formulation, and second, it is difficult to operationalize implementation constructs because researchers must either use elaborate theoretical schemata that cannot be verified through empirical data or observe the managers without validated measurement tools.

While implementation of strategy is critical to firm success, most strategic management models inadequately emphasize the relationship between strategy formulation, quality, and implementation. This lack of emphasis is significant as the capability of an implementation effort is important to the achievement of superior performance. Despite this relationship between implementation and performance, often strategic planning becomes a formality as opposed to a vital and implemented process (O'Regan and Ghobadian, 2007).

Managers of profit seeking organizations strive to maximize firm performance. It must be kept in mind, however, that managers often tend to underestimate the difficulties associated with strategy implementation (Speculand, 2005). Strategic initiatives are a key aspect of profitable performance in the financial services industry. Dobni (2003) emphasizes the critical role that employee capability plays in the implementation process, stressing that success in this area can become a core competence. In the area of strategic plan implementation, Porter and Harper (2003) contend that managers, employees, and firm infrastructure must be brought together in a way that culminates in a high level of implementation capability, which when accomplished will provide a firm with a core competence.

The McKinsey's 7-S model is a widely discussed framework for viewing the interrelationship of strategy formulation and implementation. According to (Peters and Waterman, 1982), the framework suggests that it is not enough to think about strategy implementation as a matter only of strategy and structure as has been the traditional view since these notions are limiting. They suggest a set of seven compasses of interrelated factors, categorized as either hard (strategy, structure and system) or soft (shared values, skills, style and staff).

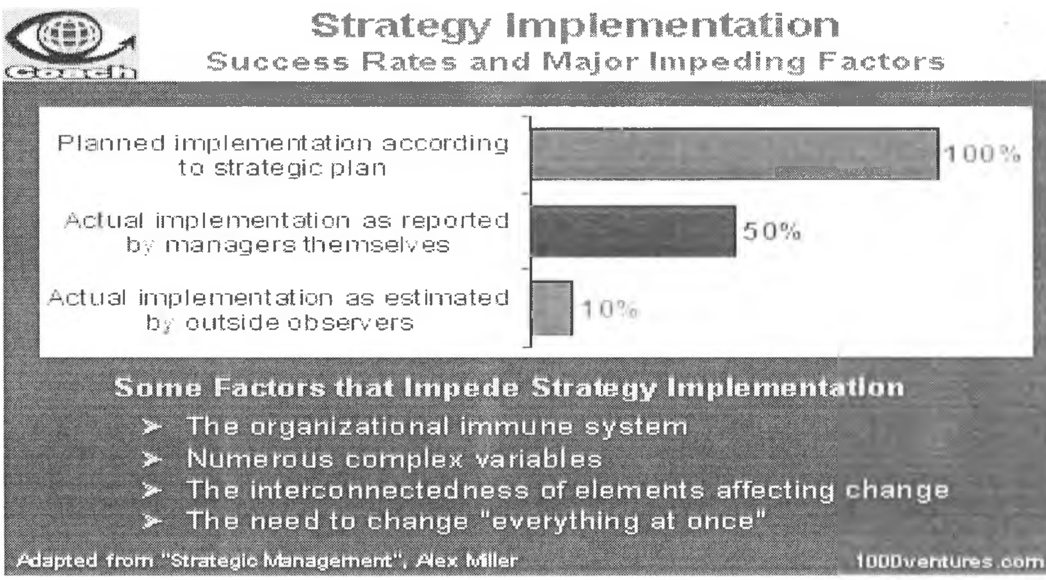
The model is based on a theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So the model can be used to help identify what needs to be realigned to improve performance, or maintain alignments and performance during change (restructuring, new processes, organizational mergers, change of leadership, new systems). In looking at the challenges of strategy implementation, it is important to consider these seven elements and identify how they can hinder the execution of a firm's strategy.

Birnbaum (2002) suggests that successful strategy implementation depends on six factors namely, action planning, organizational structure, human resource factors, the annual business plan, monitoring and control and linkage. According to Wong and Merrilees (2007), marketing strategy and innovation level were found to influence significantly brand performance. In turn, brand orientation moderated the path from marketing strategy to brand performance. The results suggested that brand orientation, marketing strategy and innovation can influence brand performance and it is brand orientation that offers extra benefits in terms of partly closing the strategy-to-performance gap. They find that in practice, because of implementation difficulties intended strategy often falls short of optimum performance. Their empirical evidence was collected from a sample of 403 Australian firms.

Kotelnikov (2010) found out that the most important impediments to strategy implementation are; the functional mindset of many senior executives who believe that only one or two things seldom brings any significant overall organizational change; lack of cross-functional expertise and efforts on the part of the strategic leader and the management team respectively will not allow them to address all the interdependent issues effectively; lack of systems thinking and action, which is the ability to see business as a whole including the many different types of relationships between the many elements in a complex system; organizational resistance to change; lack of strategic motivation and inability to adapt to rapidly changing environment.

According to him, companies manage at most 60% success in achieving their strategic goals as represented in figure 1 below.

Figure 1: Strategy Implementation: Success Rates and Impeding Factors



Source: 1000 ventures.com

Kotelnikov further notes that the reason it is seemingly very difficult to execute strategy could be that the nature of business has changed in the past 30 years. For the first three-quarters of the 20th Century, strategy was not seen as difficult to formulate or difficult to execute. 1981 was the beginning of one of the most remarkable shifts in the history of business, the shift from value based in tangible assets to value based in intangible assets. Lev (1992), in an extensive study of this shift found that 62% of the market value (measured by market capitalization) of companies could be attributed to tangible assets, and only 38% to intangibles.

IBM (2010) study of the banking industry after the recent global financial crisis in proposed the following ways of confronting the performance gap: acquisitions and mergers, customer segmentation, optimizing the information technology (IT) infrastructure, outsourcing, technology leadership, fee-based offerings, follow the leaders, focus first on the customer, develop a viable strategy and execute it effectively, maintain a balanced portfolio that aligns with both short and long-term business expectations, refine customer information to develop and tailor offerings that target individual needs, furnish value and increase profits, employ technology to heighten channel efficiency, align services with the most appropriate channel and optimize core strength, work from the ground up to integrate and deploy strategies at every level through every channel, leverage it assets to improve communications, promote a security-rich environment, monitor assets and bolster the infrastructure.

Mankins and Steele (2005) carried out a survey of senior executives from 197 companies worldwide with sales exceeding $500 million to see how effective companies were at meeting financial projections set forth in their strategic plans when they fell short, what the most common causes were, and what actions were most effective in closing the strategy to performance gap. The results indicated that on average, companies only manage 63% of the financial performance in their strategy promise.

2.4 Managing by Objectives

Management by objectives (MBO) relies on the defining objective for each employee and then comparing and directing their performance against the objectives which have been set. It aims to increase organizational performance by aligning goals and subordinate objectives throughout the organization. Ideally, employees get strong input to identifying their objectives and timelines for completion. MBO includes ongoing tracking and feedback in the process to reach objectives.

One of the concepts of MBO is that instead of just a few top managers, all managers of a firm should participate in strategic planning process in order to improve the implementability of the plan. Its other concept is that managers should implement a range of performance systems designed to help the organization stay on the right track. Clearly, management by objectives can be seen as a predecessor of value based management.

The principles of MBO are cascading organizational goals and objectives; specific objectives for each member; participative decision making; explicit time period and performance evaluation and feedback. MBO also introduced the SMART method for checking validity of objectives, which should be Specific, Measurable, Achievable, Realistic and Time related. Managers should avoid the activity trap of getting so involved in their daily activities that they forget their main purposes or objectives. It is just another tool. It is not the great cure for management inefficiencies. MBO works if you know the objectives, 90% of the time you don't (Drucker, 1954).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the researcher went about carrying out the research. It describes the entire process that the researcher used to obtain the information as well as data collection methods and data analysis.

3.2 Research Design

This was a case study. Its objective was to establish the strategic goals – to – implementation gap at Federation of Kenya Employers. A case study is an in depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). It is most appropriate where detailed analysis of single unit of study is desired. It provides focused and detailed insights to phenomenon that may otherwise be unclear.

Federation of Kenya Employers is a membership organization that has not been studied recently and has not contributed to the building of current knowledge in strategic management in the country. The researcher had wished to study more companies, but due to limited resources, the case was preferred.

3.3 Data Collection

Respondents in this study were selected from the senior management level at FKE. The study relied on both primary and secondary information. Secondary information was obtained from audited accounts as released in the financial statements, and the interview guide was used to obtain primary information from the respondents.

The interview guide was prepared in two parts. Part one sought information about the respondent and part two about strategy implementation gaps. It contained open ended questions allowing the executives to provide their opinions in the various questions. It was designed to capture strategic planning within the balanced score card framework. This was envisaged to enable comprehensive data collection in the four score card focus areas namely financial, customer, internal processes, learning and growth.

3.4 Data Analysis

Content analysis was used in analyzing the data obtained. This is an overall approach and analytical strategy that entails systematic examination of forms of communication and documents objectively (Marshall and Rossman, 1995). The method allows for categorization and for making valid and replicable inferences to their context.

The technique was selected on the basis that most of the data collected was in qualitative form. This allowed the researcher to learn more about the underlying factors, attitudes, biases and repeating themes.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the results of the interview guide. For a clearer presentation, the results of the study are presented in figures. To give an appropriate flow of discussion, the results are presented in three sections. The first section presents profiles of the organization and the respondents. The second section presents findings on strategic goals – to - implementation gaps, while the third section presents results on effective ways of closing strategic plan to implementation gaps.

4.2 Profile of The Organization

Federation of Kenya Employers (FKE) was registered in January, 1959 under the Trade Unions Act Cap 233, as an employers' association. The rationale for registering the Federation under the Act was to enable it handle industrial disputes on behalf of its members because under Section 29A of the Trade Unions Act, no person or body may act as a trade union or trade union official unless registered under the Act. The membership of FKE stood at 1467 as of 1st September, 2012 and comprised 1210 direct members and 257 members of Affiliate Associations. The Federation's service, structural and human resource profile is discussed herebelow.

4.2.1 Services Offered by Federation of Kenya Employers

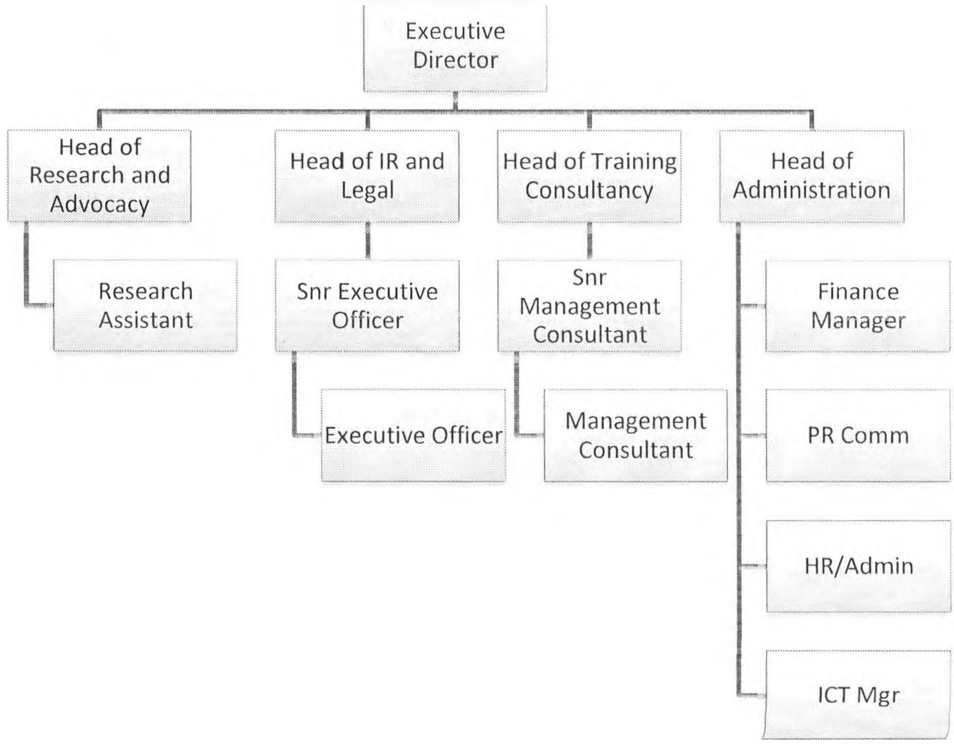
Since inception, the Federation has continued to offer consultancy and advisory services to its members in the area of industrial relations, management training, productivity, management consultancy, organizational review and executive selection services, enterprise development, quality systems and corporate social responsibility. These services have contributed significantly towards industrial peace with its multiplier effects in improved productivity, growth in profits, employment and national prosperity.

The Federation plans to take advantage of the strong membership base to aggressively cross-market its complementary services in management consultancy and training along with the industrial relations service not only to improve the business performance of the Kenyan enterprises but also to provide it with an additional source of revenue. The challenge facing the Federation is that of upgrading its internal capacity to deliver both generic and tailor-made services of unparalleled quality to enterprises in the nation for now and in the future. Competition from other business membership organizations such as Kenya Association of Manufacturers, Kenya Private Sector Alliance and Kenya Institute of Management is also a challenge the Federation is dealing with.

4.2.2 Organizational Structure

The FKE organizational structure is a flat one comprising of levels as shown below.

Figure 2: Federation of Kenya Employers Organizational Structure



This structure is deemed critical for success in the formulation and implementation of its strategic plan. This is because it constitutes the institutional capability affecting the organization efficiency and effectiveness.

4.2.3 Profile of Respondents to the Study

The respondents were drawn from different departments. Ten heads of departments and section managers were interviewed. Their positions had a bearing of the kind of the responses they gave, since they constituted the top decision making organ of the organization, they were in a better position to understand matters strategy in the as they are directly involved in its formulation and implementation.

The interview guide also sought responses to the number of years these respondents had worked in the organization. From the analysis, out of the ten surveyed executives, four had been in the organization longer than 10 years while six had been in the organization for 5 or less years. The experience of the respondents can be said to have an impact on the way strategies are implemented. Older executives may be used to the status quo, while new executives may be quick to adopt changes.

The respondents were asked to state activities in which their departments or sections were involved. Content analysis revealed that the Research and Advocacy department is involved in economic and policy research which aids in developing position papers defining employers stance on social and labour issues, which are used for lobbying and advocacy in various forums including parliament. The Projects section is engaged in resource mobilization and product development through donor funded projects. The section is the origin of the consultancy products that the organization sells to its clients.

The Training section was found to be involved in building the capacity of employers to improve safety and productivity at the work place, manage human resources within the legal framework and in a socially responsible way. Since the organization cannot rely on subscriptions paid by members only, the Consulting section is charged with contribution to the financial sustainability of the organization through provision of consulting services in organizational review, job evaluation, strategic planning, executive selection and recruitment and policy reviews. The Human Resource and Administration section ensures the existence and sustainability of competent and highly motivated staff in the organization to facilitate high organizational performance and achievement of strategic goals. The need for securing and controlling the finances of the organization to enable it meet its financial obligations when they fall due is met by the Finance office. In addition, ICT office ensures availability of communication lines, software and hardware to facilitate service delivery.

The Legal section provides legal and labour related advice to members and represents them in court in cases of litigation by employees or trade unions. They work alongside the Industrial Relations section which facilitates negotiations between employers and employees into signing collective bargaining agreements in addition to providing advice to employers on daily basis. The PR and Communication section ensures that members are informed on any issues of importance, organizes forums for discussion and ensures that the organization is presented in its right corporate identity to the public.

4.3 Strategic Goals – to - Implementation Gaps

This section sought to measure the gap existing between the strategic plan goals and the level of achievement recorded in the performance measured over the specified period, within the framework of the balanced score card. All the executives surveyed thought that FKE performed well when compared to competitors in the area of strategic plan formulation. This may be interpreted to mean that the executives have confidence in their strategic plan quality. However, when asked how they thought FKE performed when compared to competitors in the area of implementation of their strategic plan, they thought FKE performed poorly. This response suggested the existence of a strategic plan to implementation gap, which is in the interest of the study.

It was noted that the current strategic plan ran from 2009 to 2013 while the previous two ran from 2005 – 2009 and 2000 – 2004 respectively. The immediate past two strategic plans formed the basis of data collection. Implementation of the two strategic plans however seemed to overlap, with some activities planned for the former period implemented in the latter. Asked which activities were more important to employees than customers or vice versa, all the respondents thought that their activities were more important to members than to employees.

Regarding learning and growth, the respondents noted that in the latter strategic period FKE planned to develop its employees in order to improve performance of their roles by sponsoring two employees for professional training in Certified Public Accountancy

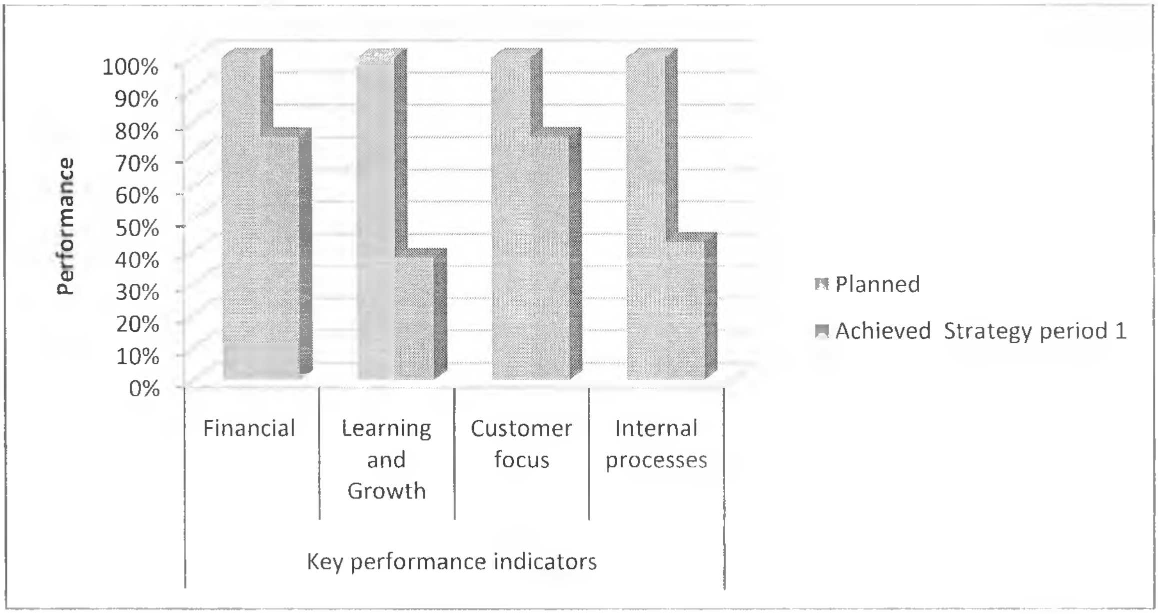
(CPA), sponsor five employees to attend at least four international workshops in relevant areas of work, coach two additional employees to be able to review human resource policy manuals, review the resource needs for FKE staff with a view to enhancing their ability to serve and intensify systematic interdepartmental job rotation.

On internal processes, the respondents indicated that FKE has had initiatives to improve the time it takes to deliver services to both internal and external customers in the last two strategy periods. These improvements were said to include installation of Customer Relationship Management (CRM) system, improving the accounting system (ACCPAC), engaging interns to undertake operational work, recruiting a research assistant to speed up economic research outputs, training employees on productivity improvement, working with experts as associate consultants, managing all consultancy assignments as projects, thus sharing work plans with clients, outsourcing messengerial and cleaning services and employing more legal staff.

In relation to customer focus, the study sought to find out what aspects of FKE customers were happy about. The respondents cited the speed at which proposals were sent to customers, the consultative manner in which consultancy assignments were done, the court cases won on members' behalf, the expert advice provided on how to handle conflicts at work or deal with employee issues, the capacity of FKE staff to facilitate negotiation sessions between employers and employees and strike a deal, leading to the signing of collective bargaining agreements for registration in industrial court, the hospitality clients received while at FKE offices and the information received from research department on inflation rates and how to translate that into salary adjustment.

An analysis of responses revealed an achievement of 78% performance against long term financial goals in the 2000 - 2004 strategic plan, presenting a shortfall of 22.0%. Learning and growth goals were achieved 50.5% with a shortfall of 49.5%. Customer focus goals were achieved 78% presenting a shortfall of 22%. Goals on internal processes were achieved 43% presenting a gap of 57%. Overall, the 2000 - 2004 strategic plan was achieved 62.4% indicating that there was a strategic goal – to - implementation gap of 37.6%. This is further shown in figure 3 below.

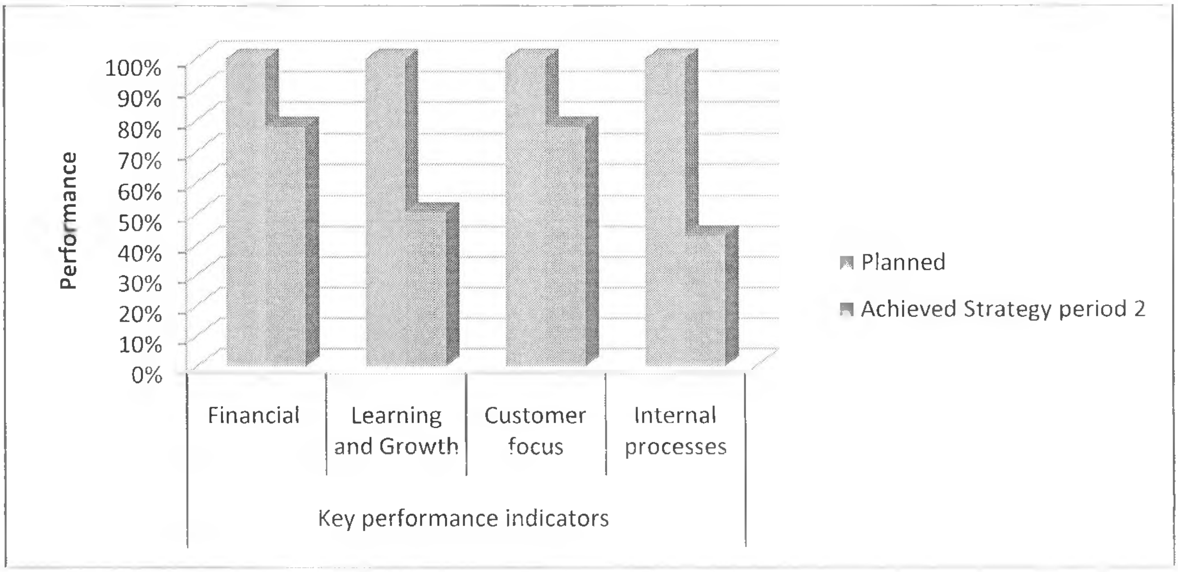
Figure 3: Strategic Goals to Implementation Gaps for the Period 2000 – 2004



Source: Interviews

A similar analysis of strategic period 2005 – 2009 revealed an achievement of 75.5% in the financial goals, presenting a shortfall of 24.5%. Learning and growth goals were achieved 38% with a shortfall of 62%. Customer focus goals were achieved 75.5% presenting a shortfall of 24.5%. Goals on internal processes were achieved 43% presenting a gap of 57%. Overall, the 2005-2009 plan goals were achieved 58%. These results indicate that the strategic goals to implementation gap experienced at FKE in the 2005-2009 plan was 42%. This is presented in the figure 4 below.

Figure 4: Strategic Goals to Implementation Gaps for the Period 2005 – 2009

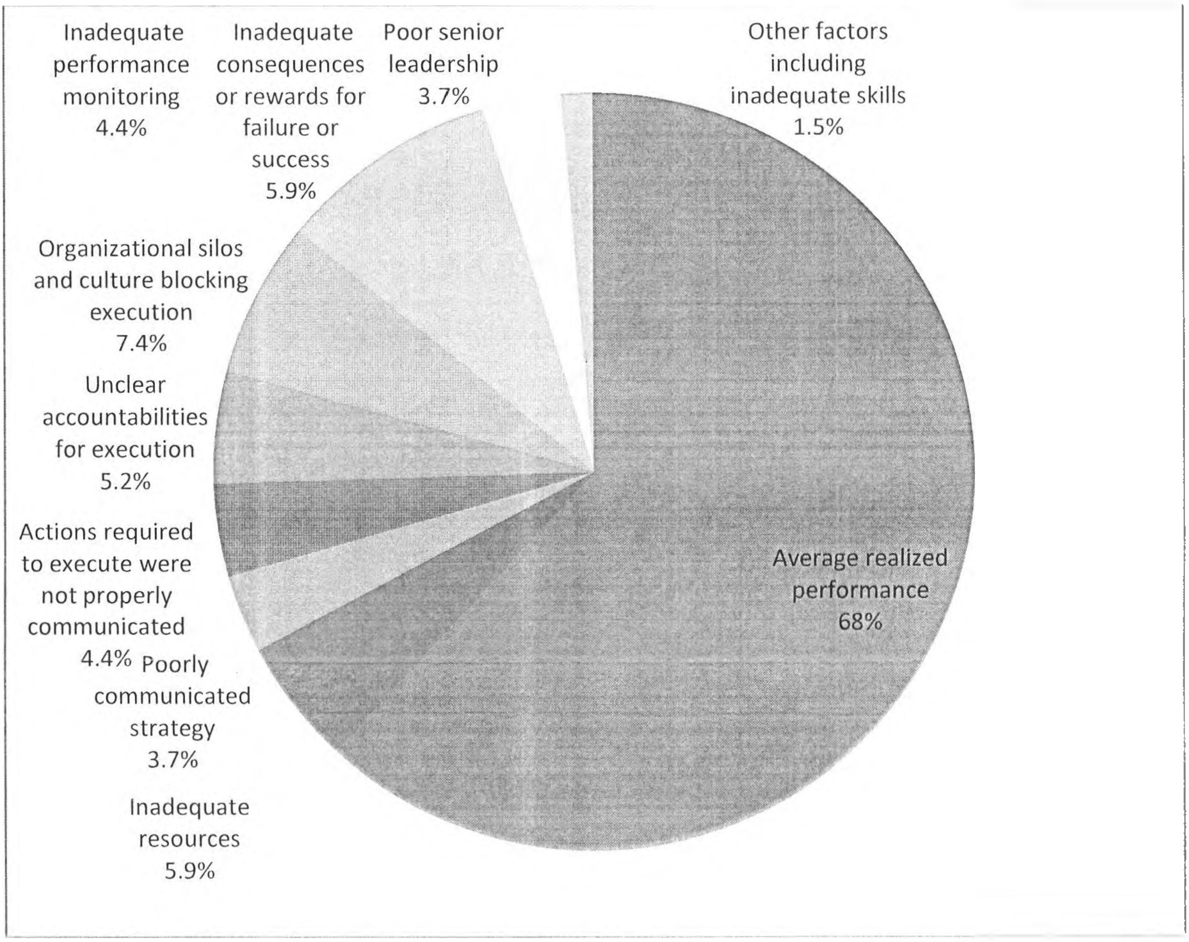


Source: Interviews.

According to the executives, the strategic goals to implementation gaps experienced at FKE can be attributed to a combination of factors such as misapplied resources, breakdowns in communication and limited accountability for results.

Figure 5 below shows the average performance loss implied by the importance of ratings that executives in this survey gave to specific breakdowns in the planning and execution process for the period 2005 - 2009.

Figure 5: Performance Loss



Source: Interviews.

According to the executives surveyed, organizational silos and culture strip away 7.4% of the strategy's potential value. Inadequate resources and inadequate consequences or reward for success or failure both take away 5.9% each of the strategic plan value. Some 5.2% value is also lost in unclear accountabilities for execution.

4.4 Preferred Ways of Closing Strategic Goals – to- Implementation Gaps

According to the FKE executives, practices that would help in closing the strategic goals – to – implementation gaps experienced would include better coordination and utilization of resources, early resource deployment, better monitoring systems for strategy execution and a reward framework for successful implementation of strategies.

Further, the executives suggested that accountabilities be made clear to ensure that they take responsibility for failure or success. This would ensure success in cascading objectives from the organizational level to departmental, units/section and individual levels. In addition, better communication, capacity building of executives, proper succession planning and a positive culture change would help the organization achieve its strategic goals to a better extent.

4.5 Discussion

4.5.1 Link to Theory

Overall, financial and customer service goals were achieved better than the other goals, both tying at 78% and 75.5% respectively in the two strategy periods. This is above the Mankins and Steele (2005) conclusion that on average, companies only manage 63% of the financial performance in their strategy promise. This can be attributed to the membership structure of the organization. As long as members feel the relevance, they continue to pay subscription. The subscriptions are paid well in advance in order to receive labour advice, legal representation and support to handle labour unions, which is a challenge to many employers. However, the gap of 22% and 24.5% should worry the executives about the effectiveness of Federation of Kenya Employers' new member recruitment and commercial initiatives.

Learning and growth goals were achieved 50.5% and 38% respectively. Considered together with the level of achievement of customer goals, this may be interpreted to mean that the organization has developed expertise in its trade, to the extent that even without more development, customers are relatively happy. It could also mean a workforce comprising of majority of older advisors with limited succession planning. It could mean that staff development has not been a priority for FKE in the past two strategy periods. Executives should have these goals accorded better attention given FKE's nature of business. Thus FKE needs to appreciate the importance of human resource factors among the six suggested by Birnbaum (2002).

Goals on internal processes were achieved 43% in each of the strategy periods. This underscores the importance of systems, among other compasses within the McKinsey's 7-S model, for successful strategy implementation. This indicates FKE's slow improvement in establishing systems that would improve efficiency. A faster response rate would help FKE to manage competition and occupy its strategic position.

Executives in the study cited higher value loss going to organizational silos and culture which blocks execution, inadequate consequences or rewards for failure or success, inadequate resources and unclear accountabilities for execution. This is consistent with Mankins and Steele (2005) findings, in which they cited inadequate or unavailable resources, poorly communicated strategy, poorly defined actions for executing strategy and unclear accountabilities for execution as the factors that strip away most value from strategy.

4.5.2 Link to Other Studies

This study revealed internal bottlenecks of strategy implementation at Federation of Kenya Employers, which would have to be dealt with, if the organization is to achieve its full strategy potential. These internal bottlenecks relate to what Muturi (2002), Kimithi (2006), Muthiya (2004) and Chepkirui (2011) refer to as poor management practices.

However, in addition to internal bottlenecks, Githui (2006) and Obare (2006) studies revealed external bottlenecks like inflation, energy costs, political influence, ecological changes, competition and legislation as well, which organizations have to deal with while implementing their strategies, and which affects the extent to which they achieve their set goals.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings, conclusions made from the data analysis, results and discussions. The chapter also highlights recommendations made by the researcher, which includes recommendations for further research in the area of study.

5.2 Summary of Findings

5.2.1 The Strategic Goals – to – Implementation Gaps at Federation of Kenya Employers

The first objective of this study was to establish the gaps between the goals as set in the strategic plans and the extent to which they are achieved at FKE. The study revealed that for the 2000 – 2004 and 2005 - 2009 strategy periods, FKE experienced strategic goals – to – performance gaps of 37.6% and 42% respectively. This clearly means that the goals in these strategic plans were not achieved 100%. Within the balanced scorecard framework, financial and customer goals were achieved best at 78% and 75.5% in the respective periods. Internal process goals were barely achieved at 43% while Learning and growth goals were achieved at 50.5% and 38% respectively.

5.2.2 Federation of Kenya Employers' Preferred Ways of Closing its Strategic Goals – to - Implementation Gaps

The gaps were majorly considered to have been as a result of bottlenecks arising from organizational silos and culture, inadequate resources, inadequate consequences or reward for success or failure and unclear accountabilities for execution. In order to close the strategic goals – to – implementation gaps, FKE executives believed that these bottlenecks needed to be dealt with. Their suggestions included the need to coordinate resource mobilisation and utilisation and that of improving human resource capacities. Keeping the strategy simple and concrete would help create the link between the strategy and performance. In doing so, clear language describing the course of action was thought to be able to start off the execution on the right track.

Further, the executives suggested that resource deployment needed to be discussed early. Organizations can create more realistic forecasts and more executable plans if they discuss up front, the level and timing of critical resource deployments early in the planning stage. To make this more effective, there is need to monitor each unit's actual resource deployments on monthly basis to ensure activities are implemented according to plan and that the plan is generating expected results.

To adress unclear accountabilities for execution, the executives suggested better assignment of responsibilities with a reward and recognition system. This would play an important role in ensuring that those who succeed in delivery of results are motivated. It would spur competition among executives and ensure ownership of responsibilities. In addition, a performance tracking system would add value in ensuring that decisions are made in good time to keep strategy implementation on track. Further, poor performance would be reprimanded.

5.3 Conclusion

Based on the research findings, it can be concluded that FKE strategies are approved and communicated. However, not all executives are clear on their responsibilities as regards the execution of the strategy. It seems that lower levels in the organization do not know what they need to do, when they need to do it or lack the resources required to deliver expected results. Consequently, expected results do not materialize. And because no one is held responsible for the short fall, the cycle gets repeated. This is observed in the high importance accorded the fact that there are inadequate consequences or reward for success or failure.

It can also be concluded that some performance bottlenecks are invisible to FKE executives. Strategic goals are realistic and performance falls short yet executives have few warning signs if any. This stems from inefficient processes used in developing goals, allocating resources and tracking performance. This is evidenced by the executives having no way of knowing whether critical activities were carried out on schedule, competitors responded as anticipated or whether resources were deployed in time, as indicated in their responses. Without clear information on why performance falls short, it is difficult for executives to take appropriate corrective action.

5.4 Implication of the Study

These findings have indicated the extent of success with which strategic plans are implemented at Federation of Kenya Employers. The report will act as a stimuli to Federation of Kenya Employers board of directors and management, to take proactive measures in improving their strategy implementation and achieve better results. It has also suggested ways through which FKE could close its existing strategic goals – to – implementation gaps, which need to be taken into account if better success is to be recorded.

FKE partner organizations and affiliates like International Labour Organization and Business Africa will now be able to understand capacity needs of FKE in order to ensure strategic intervention and capacity building. This will in turn make the employers' body in Kenya, a more efficient and effective organization in achieving its mission.

Policy makers will find this report important in setting priority areas for business membership organizations to be adressed, which if successfully done, would lead to stronger organizations with higher capacity to influence the business environment in Kenya.

The academia may use this report as reference given its contribution to the body of knowledge in strategy implementation. Students and other researchers may use these findings for comparison and better understanding of local and regional trends in this subject.

5.5 Limitations of the Study

This study was not without limitations. Its purpose was to provide information on FKE's extent of success in strategy implementation. The respondents were not easily available due to the nature of their jobs, requiring them to spend lots of time in meetings within and outside the office or abroad. It took more than one month to obtain information from respondents. The researcher had to contend with more than four postponed appointments.

Secondary information on financial performance was more available in the audited accounts. However, the strategic plans were not easily available and at first it was not easy to know what goals had been planned for in a strategic period or in a year. Nonetheless, this was obtained after a spirited search in the FKE resource centre. The extent to which the organization's performance was going to be exposed was a major issue of concern to the executives and it was difficult to convince them that this information would not be used to defame the organization, but that the information was being sought purely for academic purposes.

5.6 Suggestion for Further Research

The study focused on the establishing the strategic goals – to- implementation gaps at Federation of Kenya Employers. It went further to suggest ways of closing the identified gaps. A similar study could be done in a different organization, an industry or sector for comparability. Resultant information can then be used by the industry players for benchmarking and sharing of good business practices.

In this study, good management practices have been suggested, that can be employed as a means to close strategic goals – to – implementation gaps. These include a reward and recognition system for successful implementation of strategies. Where this has been implemented, the extent to which strategic goal achievement changes would be interesting to study. It would also be insightful to study the impact of resource deployment practices on the strategic goals – to – implementation gaps.

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APPENDIX: INTERVIEW GUIDE

Part one: Respondent Background

Name of Respondent (optional):--

Position --

What level are you within the organization? --

Department--

How long have you worked with FKE---

How do you feel FKE performed when compared to competitors in the area of strategic plan formulation?

How do you feel FKE performed when compared to competitors in the area of implementation of your strategic plan?

Part two: Strategy to performance gap

1. Your current strategic plan runs from (year) -------------- to (year)-----------------
2. In which activities is your department involved?

   ----

3. (a) Which of your department's activities is more important to employees than customers?

(b) Which of your department's activities is more important to customers than employees?

----

4. (a) What plans did your department have plans to develop employees in order to improve performance of their roles in the last strategy period?

(b) What improvements would you say your department has had in the last 2 strategy periods in improving the time it takes you to deliver services to both your internal and external customers?

----

5. What aspects of your department are your customers happy about?

----

6. What were your financial plans and how much did FKE manage to achieve in the following financial years?

Year	Planned (Ksh)	Achieved (Ksh)
2010		
2009		
2008		
2007		
2006		
2005		
2004		
2003		
2002		
2001		

7. To what extent would you say FKE achieved its strategic goals in its last two strategic plan periods?

Strategic plan period 1 (most recent)				
Key performance indicators	**Up to 25%**	**26 – 50%**	**51 – 75%**	**76 - 100%**
Financial				

Learning and Growth				
Customer focus				
Internal processes				
Strategic plan period 2 (previous)				
Key performance indicators	**Up to 25%**	**26 – 50%**	**51 – 75%**	**76 - 100%**
Financial				
Learning and Growth				
Customer focus				
Internal processes				

8. For the strategic periods when FKE observed negative performance differences, which of the following statements best explain the causes?

Statement	**True**	**False**
a) Inadequate resources		
b) Poorly communicated strategy		
c) Actions required to execute were not properly communicated		
d) Unclear accountabilities for execution		
e) Organizational silos and culture blocking execution		
f) Inadequate performance monitoring		
g) Inadequate consequences or rewards for failure or		

success		
h) Poor senior leadership		
i) Uncommitted leadership		
j) Unapproved strategy		
k) Others		
If there are other causes, please enlist below -- -- -- -- -- --		

9. How often does FKE track performance against long term plans? (i.e. going back to strategic plans to compare business results)

----

10. Are the projections that underlie your capital-investment and portfolio strategy decisions predictive of actual performance?

----

11. How effective would you say your monitoring initiatives are in enabling you to make strategic decisions midstream your strategic period?

----

12. Does FKE have a way of knowing whether resources were deployed on schedule?

----

13. Does FKE have a way of knowing whether your competitors responded in the way you anticipated in your strategic plan?

----

14. What major changes would you advice FKE to implement in order to ensure planned goals are achieved?
