

**COMPETITIVE STRATEGIES IN RESPONSE TO CHALLENGES
OF EXTERNAL ENVIRONMENT BY WATER RESOURCES
MANAGEMENT AUTHORITY IN KENYA**

BY

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DECLARATION

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

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SUPERVISOR'S DECLARATION

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

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DEDICATION

I dedicate this project to my loving children, Bill and Graca. Your support, love, patience, encouragement, sacrifices and prayers have transformed my dreams to the success of this degree. May God keep and bless you abundantly.

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This far the lord has brought me, it has been a challenging project and I thank God for his mercies. In addition, I would also like to thank the individuals who have contributed to the successful completion of this project.

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ABBREVIATIONS AND ACRONYMS

AIS	Accounting Information Systems
CAACs	Catchments Area Advisory Committees
CBOs	Community Based Organizations
KEWI	Kenya Water Institute
MWI	Ministry of Water and Irrigation
NGOs	Non-Governmental Organizations
NIB	National Irrigation Board
NWCPC	National water conservation and Pipeline Corporation
PDB	Permit Data Base
WAB	Water Appeal Board
WRMA	Water resources management Authority
WRUAs	Water Resource Users Associations
WSBs	Water services boards
WSPs	Water Service Providers
WSREB	Water Services Regulatory Board
WSTF	Water services trust fund

ABSTRACT

In order to survive and remain profitable in the competitive environment, it becomes necessary for the threatened companies to be aggressive in their search and development of response strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held. Water Resources Management Authority being a state corporation and a non-profit, service oriented corporate body charged with the responsibility of providing leadership in the management of water resources countrywide, has encountered several challenges in its work following the rapid changes in the operating environment. This study sought to investigate the competitive strategies in response to challenges of external environment by water resources management authority in Kenya. The study adopted a case study research design. The study used primary data that collected using an interview guide. The interview guide enabled the researcher to collect qualitative data. The study targeted 10 top managers at the Authority for data collection. The collected data was analyzed using content analysis and presented in prose format. The challenges faced by the Authority included inadequate funding which had caused low levels of sensitization resulting to minimal revenue collection; lack of clarity on the position of the Authority which created some level of confusion in clearly understanding the channels of discussing issues related to the Authority, Conflicting legislation affecting land use which brought about soil erosion and water pollution. To improve its competitiveness, the Authority needed to emphasis more on corporate social responsibility and create working relationships with corporate organizations that can sponsor the Authority in its efforts to protect the water catchments. The billing system was manual and not updated which led to a lot of time being taken to deliver to bills because it was delivered physically/ manually and not electronically. The study recommends that the Authority should strive to reduce its operating expenses by eliminating unnecessary costs. This may be achieved through outsourcing of some services which do not core functions of the Authority. This may include outsourcing transportation services, meter reading and information system management. The study also recommends that the Authority invests in a billing system and creates accountability by separating the staff handling billing, abstracts, and invoicing. This would bring about accountability and high levels of corporate governance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The demands and needs of the environment are constantly evolving and management is about adjusting the company according to the needs and demands of the environment. One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Johnson and Scholes, 2002).

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlines the three approaches to competitive strategy these being striving to be the overall low cost producer, (that is, low cost leadership strategy), seeking to differentiate one's product offering from that of its rivals, (that is, differentiation strategy) and lastly focus on a narrow portion of the market, (that is, focus or niche strategy).

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage.

Water Resources Management Authority (WRMA), is a state corporation and operates in Kenya. The Authority is a non-profit, service oriented corporate body under the Ministry of Water and Irrigation. It is charged with the responsibility of providing leadership in the management of water resources countrywide. The Authority has experienced several challenges as a result of changes in its operating environment which has called on the organization to rethink its positioning strategies if it has to survive and remain relevant. The Authority has developed a Strategic Plan 2012-2017 to enable it position itself well in the competitive market in order to deliver on its mandate.

1.1.1 Concept of Competitive Strategy

Competitive strategy comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) asserts that there are three Approaches to competitive strategy. One is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate one's product offering from that of one's competitors, which is a differentiation strategy while a third involves focus on a narrow portion of the market, which is focus or niche strategy. Porter (1985) argues that strategy is about seeking a competitive edge over rivals while slowing the erosion of present advantages. Few advantages can be sustained indefinitely, for time eventually renders them obsolete. Strategy serves as a guide to the organization on what it is the organization is trying to do and achieve (Johnson and Scholes, 1999).

According to Johnson and Scholes (1999), strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders. Strategy therefore helps to define the specific business of the firm in terms of products, market and geographical scope. Pearce and Robinson (2000), on the other hand, define strategy as a firm's game plan that enables the firm to create competitive advantage. The firm needs to look at itself in terms of what the competitors are doing. Ansoff and McDonnell (1990) define strategy as a set of decision making rules for guidance of organizational behavior. Thus strategy is used as a yardstick to measure a firm's performance and to define its relationship with the external environment.

Porter (1996) defines competitive strategy as deliberately choosing different set of activities to deliver a unique mix of value. These activities form the basis of competitive advantage. Strategy in itself can be defined as a game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance (Thompson & Strickland, 2002). Strategy is also the commercial logic of a business that defines why a firm can have a competitive advantage.

1.1.2 External environment

A business does not function in a vacuum. It has to act and react to what happens outside the factory and office walls. These factors that happen outside the business are known as external factors or influences. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies. The main factor that affects most business is the degree of competition – how fiercely other businesses compete with the services that another business makes.

The other factors that can affect the business are social, legal, economic, political, technological and ethical factors. Social factors refer to how consumers, households and communities behave and their beliefs, for instance, changes in attitude towards health, or a greater number of pensioners in a population (Ansoff and McDonnell, 1990). Legal factors refer to the way in which legislation in society affects the business, for example, changes in employment laws on working hours. Economic factors refer to how the economy affects a business in terms of taxation, government spending, general demand, interest rates, exchange rates and global economic factors. Political factors refer to how

changes in government policy might affect the business e.g. a decision to subsidize building new houses in an area could be good for a local brick works. Technological changes refer to how the rapid pace of change in production processes and product innovation affect a business. Lastly, ethical factors refer to what is regarded as morally right or wrong for a business to do.

1.1.3 Strategic Responses

Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Strategic response is the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives (Pearce and Robinson, 1997). Porter (1998), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy (Pearce and Robinson, 2007). Reengineering, downsizing, self-management and outsourcing are some of the dominant strategies that have been used for restructuring in the 1990's.

Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy (Porter, 1985) Firms in dynamic industries respond to environmental changes and competitive forces in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness (Porter, 1985).

1.1.4 The Water Industry in Kenya

The main thrust of the reform is to separate water resources management and development from water services delivery, focussing the Ministry's role on policy formulation, implementation and monitoring; leaving the detailed regulation to a number of Parastatal bodies who report to boards that represent different stakeholders' interests. It will be the responsibility of the newly established institutions, working in collaboration with Local Authorities, CBOs, NGOs, line ministries, government departments and their agencies and the private sector, to ensure the implementation of the strategy.

The Water Act (2002) provided for the establishment of new institutions as a way of streamlining and separating functions that were previously carried out by the Ministry of Water and Irrigation. The roles and responsibilities of the various water sector institutions are as follows; Water Services Regulatory Board (WSRB) was responsible for regulation of water and sewerage services provision including, issuing licenses, setting service standards and guidelines for tariffs and prices, providing mechanisms for handling complaints, among others. Water Services Boards (WSBs) were to be licensed by the WSRB and would be responsible for the efficient and economical provision of water and sewerage services within its area of jurisdiction. Seven Water WSBs had been gazette and established to cover the entire country. However, direct provision of water and sewerage services would be undertaken by Water Services Providers (WSPs) which would be agents of WSBs except where the WSRB was satisfied that the procurement of such agents was not possible or that provision of services by such agents was not practicable.

1.1.5 Water Resources Management Authority

Water Resources Management Authority (WRMA), is a state corporation was established in July 2005, under the provision of the Water Act 2002 of the Laws of Kenya. The Authority is a non-profit, service oriented corporate body under the Ministry of Water and Irrigation. It is charged with the responsibility of providing leadership in the management of water resources countrywide. It is also subject to the State Corporations Act which guides all state corporations in Kenya.

The Vision of the Water Resources Management Authority is the beacon by which the Authority measures its contribution to society. WRMA has therefore formulated its vision statement as follows: To be a prudent manager of water catchments areas, guaranteeing access to adequate and quality water for all. The WRMA mission statement answers the question as to why the Authority is in existence, the nature of its business and the values that guide it. It has therefore formulated the following mission statement: To manage, regulate and conserve all water resources in an effective and efficient manner by involving the stakeholders, guaranteeing sustained access to water and equitable allocation of water while ensuring environmental sustainability (Water Resources Management Authority Strategic Plan 2009-2012).

As the reforms picked up with the development of water policy of 1999 and Water Act 2002, water resources management was separated from supplies with specific roles and responsibilities. The reforms brought a new paradigm which called for embracing the fundamental principles of Integrated Water Resources Management (IWRM) also known as Dublin principles. Within the framework of these principles, stakeholder participation, the finite nature and vulnerability of water resources, gender and consideration of water

as a social and economic good are viewed as key to ensure effectiveness and sustainability in water resources management. These principles are internationally recognised and WRMA has embraced them in its operationalization which began in 2005.

1.2 Research Problem

In order to survive and remain profitable in the competitive environment, it becomes necessary for the threatened companies to be aggressive in their search and development of response strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held, (D'Aveni, 1994). Strategic deployment of competitive strategies is a fundamental function for every organization. Any organization that fails to adopt competitive strategies will continuously experience heavy financial losses because of the constantly changing external environment which brings about constraints to the firm. Response strategies help the firm in aligning its activities with the changes occurring in the external environment so that the firm can maintain its competitive advantage. Porter (1980) argues that a firm can achieve a higher level of performance over a rival in one of two ways: either it can supply an identical product or service at a lower cost, or it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation.

WRMA being a state corporation and a non-profit, service oriented corporate body charged with the responsibility of providing leadership in the management of water resources countrywide, has encountered several challenges in its work following the rapid

changes in the operating environment. First, the Authority was enacted under the Ministry of Water and Irrigation in the year 2002. However, following the promulgation of the new constitution, the Authority was transferred to the Land Commission under the Ministry of Lands. Prior to this, the Authority had most of its staff seconded from the MWI whereby their monthly salaried and other benefits were met under MWI. However, following the transfer of services of MWI staff, the Authority stopped receiving the staff benefits from MWI. This coupled with limited funding from the Treasury has forced the Authority to think of ways on how to operate optimally. In addition to the above challenges, the Authority is faced with overlapping policies with many regulators each claiming a share of its sources of revenue.

A number of studies have been conducted on the response strategies adopted by organizations to their operating environment. Kamanda (2006) did a study on Kenya Commercial Bank (KCB) with the objective of determining the factors that influence its regional growth strategy. His study, however, does not cover the issues of strategy implementation. Situma (2006) also covered KCB but focused on its turnaround strategy. Muguni (2007) studied the role of executive development in strategy implementation. Murage (2001) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Gathoga (2001) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive, he also concluded that expansion into other areas by opening new branches has also, been used as a strategy. Karanja (2002) did a survey of competitive strategies of real estate firms in the perspective of Porter's generic model.

These studies reveal that firms in different industries adopt different competitive strategies which are unique in each context. No known study has been done on competitive strategies adopted by Water Resources Management Authority - Kenya in response to challenges of the external environment. From the above discussion, there is a need therefore, to investigate the competitive strategies adopted by WRMA to respond to the challenges in the external environment. To achieve this, the study sought to answer the following research question:

Identify challenges that WRMA had faced in its operations as a result of changes in the external environment and the competitive strategies used by the Authority to respond to these challenges in the external environment?

1.3 Research Objectives

The objective of this study was to investigate the competitive strategies in response to challenges of external environment by water resources management authority in Kenya.

1.4 Value of the Study

This study would be important to the policy makers in the water management sector as they would be able to know for certain what competitive strategies play a role in shaping their operations and how they affect performance and at the same time they would know which competitive strategies to use in order to remain competitive and keep pace with the changes in the operating environment. Further, the study would be important not only to WRMA but also the parastatals managers as it would help them understand the competitive strategies and how their understanding can help different parastatals enhance their performance. The study would also help other managers know the methods used in

gathering and applying the competitive strategies, which would help them improve their performance. The study will form a basis of further research in the area within the water sector. The study will be useful to Ministry of Water and Irrigations, water sector institutions within the Ministry, NGOs, and water service providers among others.

The study highlighted other important relationships that require further research; this would be in the areas of competitive strategies and their impact on their performance. The results of this study would also be invaluable to researchers and scholars, as it would form a basis for further research. The students and academics would use this study as a basis for discussions on competitive strategies. The study would be a source of reference material for future researchers on other related topics; it would also help other academicians who undertake the same topic in their studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are concept of strategy, competition, competitive advantage, competitive strategies, strategic responses and environmental challenges.

2.2 Concept of Strategy

There is no single universally accepted definition of strategy. Different authors and managers use the term differently (Mintzberg *et al*, 1999). Quinn (1980) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. He goes further to state that a well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.

Strategy helps to position a firm in the wider external environment and defines the obligation of the firm to its stakeholders (Johnson and Scholes, 1999). Strategy defines the specific business of the firm in terms of products, markets and geographical scope. Strategy is considered as a firm's game plan that enables it to create competitive advantage (Pearce and Robinson, 2000). The firm needs to look at itself in terms of what the competitions are doing. This is critical because firms in the same industry tend to compete for the same customers.

2.3 Organizations and their External Environment

As Ansoff and McDonnell (1990) argued, business firms are in a constant two way interaction with the environment. They receive an assortment of resources from the environment and after a transformation, deliver them back to the environment in the form of goods and services. The connection of the external environment and the organization is that of input – throughout – output process where inputs are received from the environment and released back into the same environment after being processed by the organization. What is released back can only be consumed by the organization if it fits the environment requirements and needs (Porter, 1985).

Pearce and Robinson (2007) define an organization's external environment as all those factors beyond the control of the firm that influence its choice of direction, action, organizational structure and internal processes. Organizations exist in a complex commercial, economic, legal, demographic, technological, political, cultural and social environment. This environment is not static but is under constant change which affects the organizations that operates within it. These environmental changes are more complex to some organizations than others and for survival an organization must maintain a strategic fit with its environment. The environment is important and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty (Thompson, 1967). In addition, the competitive environment has been and continues to be driven by technological innovation, globalization, competition and extreme emphasis on price, quality and customer satisfaction. As a result organizations must continuously create and innovate in order to stay relevant and be successful. A sustainable competitive advantage is achieved when there is a strategic fit between the external and internal environment.

Fundamental forces of change have been experienced in the global business environment resulting in unprecedented competition. Organizations responding to these changes have realized their existing strategies and configurations may no longer serve them (Ansoff and McDonnell, 1990).

Pearce and Robinson (2007) state that economic factors concern the nature and direction of the economy in which a firm operates. Since consumption patterns are affected by the relative affluence of various market segments, each firm must consider economic trends in the segments that affect its industry. Some of the economic factors on both national and international level that managers must consider include general availability of credit, the level of disposable income, the propensity of people to spend, interest rates, inflation rates, and trends in the growth of the gross national product. The economic conditions affect how easy or hard it is for a firm to be successful and profitable at any time. A firm must therefore include these factors in its strategy formulation.

Kombo (1997) found that as a result of the ongoing economic reforms, firms in the motor industry adjusted their variables substantially so as to survive in a competitive environment. The firms in this industry introduced new technologies of product development, differentiated their products, segmented and targeted their customers more and improved customer services. They also made significant changes to marketing mix variables of promotion, price and distribution in response to competition.

The social factors that affect a firm involves the beliefs, values attitudes, opinions and lifestyles of persons in the firms external environment, as developed from cultural, ecological, demographic, religious, educational, and ethnic conditioning, Pearce and

Robinson (2007). As social attitudes changes so too does the demand of various types of products. Like other forces in the external environment, social factors are dynamic with constant change resulting from efforts of individuals to satisfy their desires and needs by controlling and adapting to environmental factors. For managers, informed judgment of the impact of changes in social; cultural factors are paramount.

Pearce and Robinson (2007) reckon that the direction and stability of political factors are major consideration for managers on formulating company strategy. Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firm's fair trade decisions antitrust laws, tax programmes, minimum wage legislation, pollution and pricing policies and administrative regulations. Some are meant to protect the firm and they include patents laws, government subsidies.

Steel and Webster (1992) found out that small enterprises in Ghana adapted to the competitive environment as a result of Structural Adjustment Programmes (SAPs), by altering their product mixes. This enabled these firms to complete with imports. Changes in product mix were prevalent in those sectors whose products were more vulnerable to competition from standardized imports. The firms also shifted their markets strategies by seeking newly opened market niches – further, in their endeavour to reduce cost, most firms changed their input sourcing behaviours and opted for chapter sources, most firms also shed labour in their bid to manage costs.

Pearce and Robinson, (2007) observed that a technological breakthrough can have a sudden and dramatic effect on firm's environment. It may spawn new markets and products or significantly shorten the anticipated life of a manufacturing facility. Hence

for a firm to stay successful, it must strive to understand both the existing technological advances that can affect its products and services also the ability to forecast future technological advances helps alert strategic managers to both impending challenges and promising opportunities.

Pearce and Robinson (2007), define the ecology as the relationship among human beings and other living things and the air soil, and water that support them. Specific concerns in this area include global warming, loss of habitat, and biodiversity as well as air, water, and pollution. Firms are increasingly being called upon to pay attention to this by protecting the environment. Pearce and Robinson also observed that despite clean up efforts the job of protecting the stakeholders is entrusted on the organizations. Hence any effort to attain success through competitive advantage must be full aware of all the external environment factors and their impact on the day to day operations of the business.

2.4 Concept of Competition and Competitive Advantage

Competition is a dynamic process through which industry structure itself changes through evolution and transformation. The essence of competition then, is a dynamic process in which equilibrium is never reached and in the course of which industry structure are continually reformed (Grant, 1998). Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Porter, 1985). Competition is most intense when there are many direct competitors and when industry growth is slow. Sometimes competition is high because

the rivals have very different “personalities” and strategies. There are dramatically different ideas about how to compete and constantly find themselves in new battles with one another (Bateman & Zeithaml, 1990). In the fight for the market share, competition is not manifested only in the other players. Rather, competition in an industry is rooted in its underlying economics, and existing competitive forces that go well beyond the established combatants in a particular industry.

Customers, suppliers, potential entrants and substitute products are all competitors that may be more or less prominent or active depending on the industry (Porter, 1979). The state of competition in an industry depends on five basic forces. These are threat of new entrants, bargaining power of buyers, threat of substitute products or services, bargaining power of suppliers and rivalry among existing firms (Porter, 1980). However, Andrew Grove, the former CEO of Intel and a part-time teacher at Stanford’s Graduate School of Business, has argued that Porter’s five forces model ignore a sixth force; the power, vigor and competence of complementors (Hill & Jones, 2001). Complementors are companies that sell complements to the enterprise’s own product offerings. The collective strength of these forces determines the ultimate profit potential in the industry, where profit potential is measured in terms returns in the long run or invested capital.

The corporate strategist’s goal is to find a position in the industry where his or her company can best defend itself against these competitive forces or can influence them in its favour. The collective strength of the forces may be painfully apparent to all the antagonists; but to cope with them, the strategists must delve below the surface and analyze the sources of each. For example, what makes the industry vulnerable to entry? What determines the bargaining power of suppliers? Knowledge of the underlying

sources of competitive pressure provides the groundwork for a strategic agenda of action (Porter, 1979). According to Kotler (2004), an industry is a group of firms that offer a product or class of products that are close substitutes for one another. Industries are classified according to number of sellers; degree of product differentiation; presence or absence of entry, mobility and exit barriers; cost structure; degree of vertical integration; and degree of globalization. One needs to specify on the number of sellers and if the product is homogeneous or highly differentiated. Kotler (2004) defines four industry structures as pure monopoly, oligopoly, monopolistic and pure competition.

Entry barriers include high capital requirements; economies of scale; patents and licensing requirements; scarce locations, raw materials, or distributors; and reputation requirements. Mobility barriers are in force when a firm tries to enter more attractive market segments. Exit barriers (Hurrian, 1980 in Kotler, 2004) include legal or moral obligations to customers, creditors and employees; government restrictions; low asset salvage value due to overspecialization or obsolescence; lack of alternative opportunities; high vertical integration; and emotional barriers.

Most firms find it in their advantage to integrate forward or backward. Vertical integration often lowers costs and the company gains a larger share of the value-added stream. In addition, vertically integrated firms can manipulate prices and costs in different parts of the value chain to earn profits where taxes are lowest. There can be disadvantages, such as high costs in certain parts of the value chain and a lack of flexibility. Companies are increasingly questioning how vertical they should be. Many are outsourcing more activities, especially those that can be done better and more cheaply by specialist firms (Kotler, 2004).

The competitive advantage of an organization may be eroded because the competitive forces may change and/or competitors manage to overcome adverse forces. This process or erosion may be speeded up by changes in the macro environment such as new technologies, globalization or deregulation. The advantage may be temporary; though the speed at which erosion occurs will differ between sectors and over time. Organizations may then respond to this erosion of their competitive position, creating what has been called a cycle of competition (Johnson et al, 2005).

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1985). The goal of much of business strategy is to achieve a sustainable competitive advantage. An organization will gain competitive advantage over its competitors from an understanding of both markets and customers, and special competences that it possesses (Porter, 1985). 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). Thus a competitive advantage enables a firm to create superior value for its customers and superior profits for itself.

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 (Porter, 1985). A firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Mc Lauren (2004) argues that resources are the sources of a firm's capabilities, while capabilities are the source of a firm's competitive advantage. Porter (1980) provides a framework that models an industry as being influenced by five forces.

The framework uses concepts developed in micro-economics to derive five forces that determine the attractiveness of a market. They consist of those forces close to a firm that affect its ability to serve its customers and make a profit. A change in any of the forces requires a firm to reassess its marketplace. These forces include, bargaining power of suppliers, bargaining power of buyers, threat of substitute product and threat of new entrants. The above four forces combine with other variables to influence a fifth force, the level of competition in an industry. The intensity of rivalry among firms varies across industries. If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of leading firm, or informal compliance with a generally understood code of Conduct (Porter, 1980).

2.5 Competitive Strategies

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980).

A firm positions itself by leveraging its strengths. Porter (1980) has argued that a firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. They apply across all industries

2.5.1 Cost leadership strategy

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the technology, nullifying the firms accumulated cost reductions. Other competitors may imitate the technology leading to firm's loss of its competitiveness.

In a study of competitive strategies applied by commercial banks, Gathoga (2001) concludes that banks had adopted various competitive strategies, which included delivery of quality service at competitive prices and at appropriate locations. The banks also engaged in product differentiation by creating differentiated products for different market segments.

2.5.2 Differentiation Strategy

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is

that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The 'shelf life' of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage.

According to Sheikh (2007), computer technology is crucial to Accounting Information Systems (AIS) and to accountants for many reasons. One is that computer technology must be compatible with, and support, the other components the AIS. Secondly, in trying to expand their services, audit firms are moving into provision of outsourced accounting and/or internal auditing services, which require mastery of computer accounting packages. Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. They have to adopt such strategies as forensic services to remain competitive

2.5.3 Focus Strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and

substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs. The strategic manager seeking to develop an edge over rival firms can use this strategy to better understand the industry context in which the firm operates and consumer behavior.

Kombo (1997), in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service. Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on the basis of focused differentiation. Firms tended to target certain levels of clients especially the middle and upper class who resided in certain targeted estates.

2.6 Concept of Strategic Responses

Ansoff and McDonnell (1990) see strategic management as a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises. Hamael and Prahalad (1989), perceived an organization as a foundation for sustained competitive advantage when it poses skills or resources that provide superior value to customers and that are difficult to imitate. In a turbulent environment, the more enduring advantage is ability to anticipate evolving customer needs, and encourage continuous innovation and creativity. There is a possibility of long term profitability being elusive with duplication from competitors.

Global trends have had adverse effect on many sectors, the insurance sector included. Every organization has to develop strategies that will enable it fit within the environment it operates in. this is necessary because the environment is dynamic, multi-faceted and complex; as a result of which organizations have to plan how to respond to the challenges posed by it. An organization can either plan on how to cope with the many changes brought about by the environment or handle them as they emerge.

2.7 Environmental challenges

According to Johnson and Scholes (2002), dealing with the environment is difficult this is because of the diversity of different business influences, difficulty in identifying environmental influences on the organisation and the faster speed of technological changes. This makes it difficult for managers to cope with the environment and only focus on a few aspects of the environment which are important and relevant to their organisations. Ansoff and Mc Donnell (1990) say that business firms are in constant two ways interaction with the environment. They receive assortment of resources from the environment, transform them and deliver them back to the environment. The environment consists of external and internal aspects of the firm which a strategist needs to understand, monitor and position the organization to manage the opportunities and threats thereof. A study was carried on key variables such as; technological change, demographic trends, cultural trends, economic climate, legal, political conditions and specific international events. Technology change creates both opportunity –as firms begin to explore how to use technology to create new products and services ,and threats – as technological change forces firms to rethink their technological strategies.

A second element of the general environment facing firms is demographic trends. Demographics is the distribution of individuals in a society in terms of age, sex, marital status, income, ethnicity, and other personal attributes that may determine buying patterns. Understanding this basic information about a population can help a firm determine whether or not its products or services will appeal to customers and how many potential customers for these products or services it might have. Demographic groups have also had an impact on firm strategies (Ansoff and Mc Donnell, 1990).

Economic factors are concerned with the nature and direction of the economy in which a firm operates (Pearse and Robinson 2005). Consumption patterns are affected by the relative affluence of various market segments each firm must consider economic trends in the relevant market. The economic trends that affect industry include the general availability of credit, level of disposable income and propensity to spend. Nations are interconnected as a result of global economy, firms therefore must scan, monitor, forecast, assess different economies.

Political/legal factors define the legal and regulatory parameters within which firms must operate. Normally politics play a very big role in the running of a country and so is the organisation, favourable political environment always means favourable environment for the organisation and vice versa.. Political factors affect the operating environment of organisations. Pearse Robinson (2005), establishes that the direction and stability of political factors are a major consideration for managers on formulating a firm's strategy. Thompson (2005) discusses the activities of the state through its legislature and the law enforcement agencies impact directly or indirectly on organisations some of which are meant to protect them like patents laws and government subsidies.

2.8 Challenges of Strategy

Woolridge and Floyd (1990) note “It can be much easier to formulate a good strategy than it is to implement it”. Much of the shortcomings in the strategy area is attributable to failures in the implementation process rather than in the formulation of strategy itself (Beer et al., 1990; Woolridge and Floyd, 1990). The available literature in the 1990s on strategy implementation was examined in order to identify potential strategy implementation challenges. Of the 22 identified earlier by Alexander (1985) only 15 implementation problems have been cited.

Eisenstat (1993) indicates that most companies attempting to develop new organization capacities stumble over these common organizational hurdles: competence, coordination, and commitment. These hurdles can be translated into the following implementation problems: Coordination of implementation activities was not effective enough, Capabilities of employees were insufficient, Training and instruction given to lower level employees were inadequate, and Leadership and direction provided by departmental manager were inadequate.

Wessel (1993) states clearly that most of the individual barriers to strategy implementation that have been encountered fit into one of the following interrelated categories: too many and conflicting priorities, the top team does not function well; a top down management style; inter-functional conflicts; poor vertical communication, and inadequate management development. These categories can be translated into the following problems:

Competing activities distracted attention from implementing this decision, changes in responsibilities of key employees were not clearly defined, key formulators of the strategic decision did not play an active role in implementation, and problems requiring top management involvement were not communicated early enough.

Schmidt (1994) claims that a strategic change can be successfully implemented through a four-stage process: Assess the organizational capabilities and behavior needed to move from what the company is to what it needs to become, determine what work processes would be required to implement the strategy and design current work processes to fit those requirements, Identify what information needs the work processes generate, and determine what information systems and databases would be required to meet those needs and determine which organizational structure would best support those work processes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections are included; research design, data collection and data analysis.

3.1 Research Design

The study adopted a case study research design aimed at getting detailed information regarding the competitive strategies by Water Resources Management Authority - Kenya in response to challenges of the external environment. The researcher settled for a case study of WRMA due to the fact that the Authority has been on the forefront of water resource management across the country.

According to Yin (2004), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari (2004) noted that a case study involves a careful and complete observation of social units. It is a method of in depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Data collected from such a study is more reliable and up to date.

3.3 Data Collection

The study used primary data that was collected using an interview guide. The interview guide enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and a more insightful interpretation of the results from the study.

The interview guide designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondents. The second part was devoted to the identification of the competitive strategies by Water Resources Management Authority - Kenya in response to challenges of the external environment where the main issues of the study will be put into focus.

The respondents included: Finance and Administration Manager, Three Deputy Technical coordination Managers, 3 assistant technical coordination managers, Chief Accountant, 2 Commercial officers and 1 human resource/administrational officer. In total, 10 interviews were conducted. The study deemed them important as having special knowledge on the competitive strategies by Water Resources Management Authority - Kenya in responding to challenges of the external environment because their key role in both strategy formulation and implementation. They were also aware of the strategies, challenges and the ways and means of addressing them. This will make it easier to get adequate and accurate information necessary for the research.

3.4 Data Analysis

Data collected was qualitative in nature and was analyzed using content analysis. Qualitative analysis was adopted in this study because the researcher would be able to describe interpret and criticize the subject matter of the research. Qualitative data analysis sought to make general statements on how categories how categories or themes were related (Mugenda and Mugenda, 2003)

Kothari (2004) explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness. The researcher analyzed the information provided by the respondents against known competitive strategic concepts to describe and determine how WRMA has been successful in applying competitive strategies. It also enabled the researcher to identify, interpret and make a scholarly judgment on the competitive strategies by organizations in response to challenges of the external environment.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results are presented on the competitive strategies in response to challenges of external environment by Water Resources Management Authority in Kenya. The study targeted a total of 10 senior managers at the Water Resources Management Authority. Out of this, 7 managers responded by scheduling an interview with the researcher thus giving a response rate of 70%.

This response rate was excellent, representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This response rate was due to extra efforts were made via personal calls and visits to book appointments with the interviewees and informing them of the importance of this research.

4.2 Sources of Finance

The respondents were asked to indicate the main sources of finance to the Water Resources Management Authority. From the responses collected, the interviewees indicated that the main sources of revenue included: revenue collections, MWI, donor funds, permitting, lab services efficient discharge and sale of tenders. Funds were however not sufficient and one way of improving the situation as indicated by the interviewees included increasing the funding level from the MWI based on the Authority's work.

4.3 Challenges faced by Water Resource Management Authority

The study sought to establish the challenges encountered by the Authority following the changes in its operating environment. The interviewees indicated that the authority faced a challenge of inadequate funding which had caused low levels of sensitization resulting to minimal revenue collection; As a result, the Authority faced a challenge of limited support from provincial administration in enforcing the rules on water resources management in different parts of the country.

According to the new constitution it's not clear where WRMA is going to be placed between the Ministry of water and Irrigation and that of Lands and Natural Resources management. The lack of clarity on the position of the Authority created some level of confusion in clearly understanding the channels of discussing issues related to the Authority. In addition, some staff had been absorbed by the Authority from the Ministry of Water and Irrigation and during the period of this study, the Ministry was thinking of discontinuing channeling their salaries as initially done. In connection with this challenge, the new constitution 2010 devolution to counties which are not in line with basin night which creates two levels of government: Central and county government so the relationship between two levels of governments was likely to pose a challenge in WRMA.

Another challenge encountered by the Authority included high resistance to paying water use fees by local communities. This led to limit the revenue sources for the Authority hence affecting its sustainability. Another challenge that the Authority faced included persistent droughts and flash floods due to climate change which caused huge damages to the water infrastructure. As a result, the Authority was forced to invest heavily in

rehabilitating the infrastructures against its dwindling revenues. This made it difficult for the Authority to deliver on its mandate because the Authority could not access enough resources to allow it implements its strategic plans as set. This hampered the Authority's ability to deal with the challenges posted by the constantly changing operating environment.

Another challenge identified by the interviewees included conflicting legislation affecting land use which brought about soil erosion and water pollution. Due to increased agricultural activities in the country with its increased use of chemicals in the form of fertilizer and chemicals for spraying, there was a lot of dumping of these chemicals in water resources thus interfering with the ecosystems. This caused big disagreements with farmers and residents in areas where agricultural activities are causing depletion and pollution of water resources.

Another challenge identified by the respondents as facing the Authority included the political climate prevailing in the country and proposed counties which can attract donors. Politics played a role in bringing about the changes at WRMA whereby politicians prevented citizens' from paying WRMA charges.

Other challenges include overlapping mandates from other sectors like ,water service providers, National Environment Management Authority, Kenya Forest Service, Ministry of lands, Public health department among others .These organizations collect revenue from water use and effluent discharge among others hence reducing revenue base for WRMA.

The challenge of water being a social good, a human right and at the same time has an economic value and hence should be paid for means that it is not possible to deny citizens water for non-payment it is only possible to negotiate or have an memorandum of understanding with the customer on the mode of payment. Vision 2030 Flagship projects ,MWI Strategic plan, customer focus, which must be accomplished pose a great challenge since normally consume resources which are also limited and also destruct WRMA from accomplishing its mandate

4.4 Effects of the challenges on the operations of WRMA

The respondents were asked to indicate the effects posted by the challenges at WRMA. First, the interviewees indicated that the challenges had threatened the financial stability of the Authority. The resources and revenues collected by the Authority were not sufficient to cover its operating expenses. This caused the Authority to rely on some funds extended by the Ministries of Water and Irrigation together with that of natural Resources especially for staff who had been absorbed from the Ministries. However, with the increased autonomy of parastatals, the Authority has been asked to meet its costs which may lead to retrenchment to help bring about financial sustainability in the Authority which is very expensive.

Another effect of the challenges included slowed progress on implementing mandate of the Authority. Strategic implementation requires resources to finance different tasks listed in the strategic plan. However, the Authority had relied on support from donors, government and revenue.

Another effect posted by the challenges included slow progress in water quality management as the Authority seeks to clarify its mandate and enforce the charges for water consumers all over the country. This has also affected the provision of the Authority's services in some areas thereby leading to huge pollution and land degradation as some water resources even dry up. These challenges have also demotivated staff leading to underperformance in their roles thus poor service delivery to the citizens. As the resources of the Authority dwindle, the ability of the Authority to meet its employees' remuneration and other benefits needs declines thus is reducing their ability to pay salaries. This has resulted in demoralized staffs who are not giving their best to deliver on the Authority's mandate.

4.5 Competitive Strategies Adopted By WRMA in Response to the Changes in the External Environment

The study sought to establish the competitive strategies adapted by WRMA to the challenges posted by the changing external environment. First, to adapt to the challenges posted by changes in the climatic conditions which have been causing flooding and long droughts which have been causing water shortages were overcome by construction of check dams to control flooding and avail water during drought seasons thereby ensuring continuous supply of clean water at all times to the citizens.

The Authority also adapted catchment rehabilitation through WRUAs so as to defend and conserve water catchment areas. This has helped reduce the level of destruction on the water catchment areas thus ensuring continued supply of water. The Authority has also engaged in continuous training and capacity building of citizens on the importance of conserving water resources including water catchment areas.

As a result, the Authority has entered into partnerships with the community in developing the best ways to manage water resources. The Authority has also explored alternative sources of funding as opposed to depending on the Exchequer for a huge sum of funding. The Authority has since established strong relationships with partners on projects through continuous writing of proposal requesting for funding of given projects. In addition, the Authority has improved its reporting and resource management for donor supported projects hence increasing the chances of contract renewals. To help improve the productivity of the staff, the Authority has engaged in capacity building where its employees have been trained on the delivering on their mandate. The training equipped the employees with the pre-requisite skills and knowledge in the implementation of projects.

4.6 Effectiveness of the Strategies Adapted

The respondents indicated that the strategies adopted by WRMA were effective to some extent. The formation of partnerships with other government agencies in the water sector had been so far successful as this helped improve the Authority's ability to provide water to its customers. The Authority also entered into a joint planning with stakeholders where different stakeholders undertook to help the Authority in its mandate through financial support. So far the Authority had started increasing its financial sustainability. This are signs that the short term strategies were in progress.

Through strategic partnerships with donors, the Authority's ability to access more funding with donors like the World Bank, Japan International Corporation Agency, Swedish international Development Agency, United Nations Children's Emergency Fund, United Nations Environmental Programme, German International Corporation,

World Wide Fund for Nature , Nile Basin Initiative, Lake Victoria Basin Commission have been improved. All these partners have committed to support the Authority in its endeavor to provide safe water resources to the Kenyan population. Some of these partners provide support in areas of Training of staff like the case of Japan International Cooperation Agency and German International Corporation.

4.7 Other Strategies that WRMA should apply to improve its competitiveness

The respondents were asked to indicate other strategies that the Authority could apply to improve its competitiveness. The interviewees indicated that the Authority needed to emphasis more on corporate social responsibility and create working relationships with corporate organizations that can sponsor the Authority in its efforts to protect the water catchments. In addition, the respondents indicated that the Authority needed to attraction more funds from the Exchequer through early budgeting discussions with the parent Ministry of Water and irrigation.

The Authority also needed to develop sound resource mobilization strategies for external funding. Funding is important if the authority is to deliver on its mandate. To do this, the Authority needs to strengthen its internal revenue collection through strengthening enforcement and awareness campaigns improve on service delivery. This can also be achieved through a review of water use WRMA charges. The Authority needs to move towards commercialization and this should involve a lot of capacity building and attitude change among employees in the organization. The full development and operationalization of commercial section should also be done.

To improve its competitiveness, WRMA needs to develop incentives for loyal customers so as to motivate them to contribute more resources to the Authority. This could take the form of giving them grace period for payment, and offering discounts to those taking the initiatives to conserve water effectively. This would motivate the stakeholders to work effectively with the Authority in delivering on their mandate.

The Authority can also improve on its competitiveness through harmonization of laws to enable WRMA acquire their mandates and be able to collect all their revenue by reducing overlaps with other organizations like national Environmental Management Authority which is licensed to do the collection of influent discharge fees to be reversed to WRMA, Forest resources with water catchments are also under the control of Kenya Forest Service which creates conflicts when it comes to revenue collection. To help resolve this, there needs to be a way which clearly stipulating the revenue sharing proportions so that where the resources fall between two identified parastatals, they can share the revenue accordingly.

4.8 Communication of attitude change among the public on effective payment of water usage charges

The study sought to establish how WRMA can communicate attitude change among the public on effective payment of water usage charges. From the findings, the study established that the Authority can do this through use of the media to sensitize the public on WRMA role in water resource management in the country and how WRMA relates to the community. This will help the community understand the operations of the Authority and reduce conflicts with the communities.

The Authority can also improve its communication on attitude change among the public on effective payment of water usage charges by publishing annual performance records clearly indicating how the resources advanced to the Authority have been utilized. This can also be achieved through printing and circulating brochures, flyers, features and holding talk shows in the media, public barazas and participation in public forums like the Agricultural Society of Kenya trade fairs, public service week, and World environmental day. This will help promote public education on water usage and charges.

4.9 Competitiveness of the billing system of WRMA

The study sought to establish how competitive the billing system of WRMA was. The interviewees indicated that the billing system was manual and not updated, it was based on self assessment estimates not on measured amount (actual), uses estimates and not actual readings which was identified as a loop hole in the revenues maximization process at the Authority. This led to low collections for the Authority from customers thus reducing its revenue base. This also provided an avenue for customer dissatisfaction and increased customer complaints because of inefficiencies. The respondents also indicated that it took a lot of time to deliver bills because it was delivered physically/ manually and not electronically.

The respondents indicated that the billing system in existence had many shortcomings as the revenue collected was not commensurate to the services rendered. Efforts to upgrade the billing system were however met with resistance to change to a more efficient one from employees. The interviewees indicated that the billing system was subject to manipulation and this led to corruption practices at the Authority as some officers colluded with customers not have them pay for the service.

Another short coming of the billing system include system inability to recognize errors, which can lead to over and under billing of customers, omission of some customers' important information which can lead to difficulty in location of the customer. Others omissions are failure to properly categorize customers accordingly which leads to mix up in distribution of bills. These omissions impact negatively on revenue in the organization.

The in competence and lack of billing staff has led to delay in the billing and also in the collection of revenue. This meant that the customers delay paying for their water usages thus affecting the capability of the Authority to be self-sustaining. Insufficient and unreliable data for accurate billing was also a challenge affecting the competitiveness of the billing system. The data contained in the system was not accurate and thus caused several customer complaints thus leading to loss of confidence in the Authority.

Another challenge posted by the billing system included poor methods of data collection for billing whereby the customers were requested to fill in the billing consumption form and consumption amount/ rate. In most instances, the customers filled in inaccurate data leading to low revenue collection by the authority. Lack of reliable and accurate data on actual customers / abstractors in WRMA made it difficult for the Authority to reinforce its billing system and improve on revenue collection.

There is the issue of the system of not being user friendly hence difficult to operate, the issue of frequent network failure in the organization leading to limited use of the system which heavily depend on the network further there is the issue of limited processing ability whereby the system can only process Authorizations and permits only.

The issue of lack of standardized data collection system emerged during the response within the organization which posed a great problem when it comes to data entry and analysis. The above challenges of data standardization lead to duplication of data and time consuming.

The PDB (Permit data Base) was under development and was still being tested hence its operation was unreliable. The PDB billing system relies in Network connectivity hence does not operate when the network fails thus leading to long customer queues in the banking halls to pay for their water bills.

To reduce the effects of the inefficiencies and inaccuracies in the billing system, the respondents indicated that the Authority needed to engage in intensive training of more staff and PDB operators and maintenance. This will equip the employees with the requisite skills and knowledge to help deliver quality services to customers. With a more satisfied customer base, the Authority will create loyalty among its customers which it may use to justify future charges review.

The respondents also indicated that the Authority needed to separate data entry officers from data collectors especially on issues of water billing and Water rights/ enforcement activities. With a clearly separate job description, there will be increased accountability and reduced corruption levels in the Authority hence increased revenue collection. Further development of PDB to become flexible and ability to notice and correct errors is required so as to improve the efficiency, flexibility and effectiveness.

The Authority so far has ensured that Legal framework is interpreted into rules and regulations (Water Act 2002 and Water Rules 2007). Operationalization of offices in all the regions countrywide by WRMA has enabled the organization to reach most of the public and also popularizing its operation in Kenya. The aim of the same is also to enable the public to be aware of the existence of WRMA and to bring services closer to the citizens.

Development of Participatory approach through CAACs and WRUAs which encompasses the involvement of the public in Water Resources Management in the country has enabled WRMA to be known among the communities which have formed WRUAs. The CAACs on the other hand helps in the Catchments advisory in their various areas of operations within the country and helps in the advisory roles regarding catchments management. Development of tools such as WRUA Development Cycle (WDC), Sub Catchments Managements Plans (SCMP), Natural Resources Management Strategy all involving stakeholder has supported a great deal the participatory approach. The challenge of non-payment of water use charges by the public is solved by signing of Memorandum of understanding between WRMA and the concerned customers on the most convenient mode of payment.

4.10 Data collection on water consumption and permits

The study sought to establish how WRMA went about data collection on water consumption and permits. The respondents indicated that the data was collected through filling forms for self-assessment to customers where information about the customers was supplied and captured in the information management system of the Authority. In other circumstances, the WRMA staff visited the customers to confirm the reading from

clients' meters. The Authority also collected data through conducting abstraction surveys to identify abstractors and the amount of water abstracted by visiting abstraction points. Correcting the actual reading and self-assessment to harmonize the two and improve revenue collection of the Authority.

The respondents indicated that the process was effective though hampered by many factors including: WRMA low staffing level affecting the service delivery, limited resources limited the operations of the authority, inadequacy of tools to allow collaboration from abstractors also posted a great challenge, abstractors were given unreliable information as some areas were insecure and inaccessible because of insecurity, political interference by politicians not to pay for water also posted a great challenge and staff competence in data collection and malpractices' of staff on data collection brought about huge corruption and reduced revenue collection for the Authority. This will improve the revenue collection levels for the authority hence improves its sustainability.

4.11 How WRMA can reduce unnecessary costs

The study sought to establish ways in which the Authority could reduce unnecessary costs and improve on its financial sustainability. The respondents indicated that the Authority needed to undertake a workload analysis. They could be in the form of job evaluation and analysis so that tasks can be matched with employees so as to reduce duplication levels. They also indicated that the Authority needed to prioritize on activities (core activities) and non essential activities as this will allow it prioritize ways on which to deal with them.

In order to reduce on unnecessary costs, the respondents further indicated the Authority may need to consider outsource services for transport management. This will improve the efficiency and effectiveness in data collection and timely billing which leads to timely payment by customers. The Authority may also achieve this through outsourcing revenue collection by establishing agencies at a commission. This will help increase efficiency and reduce the levels of corruption. With this, the Authority will be in a position to deliver timely and quality services to its clients. The respondents also indicated that the Authority could adopt cost saving methods like fuel cards to manage on fuel expenses. The Authority also needed to improve on performance appraisal management on relation to staff remuneration and strategic plan/work plan. In addition, the Authority needed to collaborate with other agencies for purposes of sharing data.

4.12 Popularity of WRMA among the Publics

The respondents were requested to indicate the levels of WRMA public image and awareness. The respondents indicated that the awareness of public on WRMA was low because WRMA had been in existence for a very short period and people were used to Ministry of Water and Irrigation and not WRMA. The number of water institutions is many and their mandates are not clearly known by the public. The public only understand access to water in terms of water supply in the tap but not the role o WRMA'S role in water development cycle. The Authority can improve its public awareness through arranging awareness campaigns and through corporate social responsibility. The Authority needed to improve on coverage and bring services closer to the people. This would play a key role in making it easy for the Authority's clients to access its services by implementing our customer service charter.

4.13 Discussion of findings

This study had one key objective which was to investigate the competitive strategies in response to challenges of external environment by water resources management authority in Kenya. As Porter (1985) argued, competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation. Following the challenges of overlapping mandates of the Authority with those of other sectors like, Water Service Providers, National Environmental management Authority, Kenya Forestry Service, Ministry of lands, Public health department among others especially on the collection of revenue from water use and effluent discharge, the Authority was forced to devise strategies that would ensure its survival and meet its mandate. In meeting its mandate, the Authority faced challenges of reduced funding from the Exchequer and diminishing revenue collection from the divergent sources following high competition with other Government offices sharing in the resources from which the Authority was to collect revenue.

Bateman and Zeithaml (1990) argued that there are dramatically different ideas about how to compete and constantly find out new ways to win over your competitors. In order to avoid incapacitation of its operations, the Authority had to devise several strategies in response to the changes taking place in the organization's operating environment.

As Ansoff and McDonnell (1990) argued, strategic management is a systematic approach to position and relate the firm to its environment in a way that assures its continued success and make it secure from environmental surprises. In line with this, the Authority developed several strategies to create a strategic fit between it and its environment. The Authority constructed check dams to control flooding and avail water during drought

seasons thereby ensuring continuous supply of clean water at all times to the citizens. With continuous supply of clean water and controlled effects of flooding, the Authority was able to collect more revenue from the water users and get more water to supply especially during drought times. The Authority also adapted catchment rehabilitation through WRUAs so as to defend and conserve water catchment areas which helped reduce the level of destruction on the water catchment areas thus ensuring continued supply of water.

As Pearse and Robinson (2005) suggested, economic factors are concerned with the nature and direction of the economy in which a firm operates. The economic trends affect industry including availability of resources to finance the execution of laid down strategies. The Authority explored alternative sources of funding as opposed to depending on the Exchequer for a huge sum of funding. This led to the authority to establish strong relationships with partners on projects through continuous writing of proposal requesting for funding of given projects.

Another strategy adopted by the Authority included improving its reporting and resource management for donor supported projects hence increasing the chances of contract renewals. This helped the Authority in gaining financial sustainability and become self reliant as opposed to depending on the Exchequer. To improve its financial sustainability, the Authority also enhanced its revenue collection through reduction of revenue collection loopholes which were causing financial shortages. These included development of competitive billing strategies, increasing accuracy on water usage, and improvement on meter connections, streamlining licensing, supervisions, revenue collections and timely readings of the meters.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses summary of the findings on the competitive strategies in response to challenges of external environment by water resources management authority in Kenya. The chapter provides the summary of the findings, conclusion and gives recommendations based on the result discussed in the chapter four.

5.2 Summary of the Findings

The study established that the Authority faced several challenges. Key among these were: inadequate funding which had caused low levels of sensitization resulting to minimal revenue collection; lack of clarity on the position of the Authority which created some level of confusion in clearly understanding the channels of discussing issues related to the Authority. High resistance to paying water use charges by local communities. This limited the revenue sources for the Authority hence affecting its sustainability. Another challenge that the Authority faced included persistent droughts and flash floods due to climate change which caused huge damages to the water infrastructure. There was conflicting legislation affecting land use which brought about soil erosion and water pollution. Due to increased agricultural activities in the country with its increased use of chemicals in the form of fertilizer and chemicals for spraying, there was a lot of dumping of these chemicals in water resources thus interfering with the ecosystems.

The challenges threatened the financial stability of the Authority as the resources and revenues collected by the Authority were not sufficient to cover its operating expenses thereby causing the Authority to rely on some funds extended by the Ministries of Water

and Irrigation together with that of Natural Resources especially for staff who had been absorbed from the Ministries. The challenges included slowed progress on implementing mandate of the Authority. The other challenges included slow progress in water quality management as the Authority seeks to clarify its mandate and enforce the charges for water consumers all over the country. These challenges also demotivated staff leading to underperformance in their roles thus poor service delivery to the citizens. As the resources of the Authority dwindle, the ability of the Authority to meet its employees' remuneration and other benefits needs declines thus is reducing their ability to pay salaries.

The formation of partnerships with other government agencies in the water sector had been so far successful as this helped improve the Authority's ability to provide water to its customers. The Authority also entered into a joint planning with stakeholders where different stakeholders undertook to help the Authority in its mandate through financial support. So far the Authority had started increasing its financial sustainability. This are signs that the short term strategies were in progress.

To improve its competitiveness, the Authority needed to emphasis more on corporate social responsibility and create working relationships with corporate organizations that can sponsor the Authority in its efforts to protect the water catchments. In addition, the respondents indicated that the Authority needed to attraction more funds from the Exchequer through early budgeting discussions with the parent Ministry of Water and irrigation. The Authority also needed to develop sound resource mobilization strategies for external funding. Funding is important if the authority is to deliver on its mandate. To do this, the Authority needs to strengthen its internal revenue collection through

strengthening enforcement and awareness campaigns improve on service delivery. The Authority also needed to develop sound resource mobilization strategies for external funding. Funding is important if the authority is to deliver on its mandate. More revenue can also be achieved through a review of water use WRMA charges. The Authority needs to move towards commercialization and this should involve a lot of capacity building and attitude change among employees in the organization. The full development and operationalization of commercial section should also be done

The billing system was manual and not updated; it was based on self-assessment and estimates not on measured amount (actual). The system use of estimates and not actual readings was identified as a loop hole in the revenues maximization process at the Authority. This led to low collections for the Authority from customers thus reducing its revenue base. This also provided an avenue for customer dissatisfaction and increased customer complaints because of inefficiencies. The respondents also indicated that it took a lot of time to deliver to bills because it was delivered physically/ manually and not electronically.

Another short coming of the billing system included incompetence of billing staff and inadequacy of the same. This caused delay in the billing and in the collection of revenue. This meant that the customers delay paying for their water usages thus affecting the capability of the Authority to be self sustaining. Insufficient and unreliable data for accurate billing was also a challenge affecting the competitiveness of the billing system. The data contained in the system was not accurate and thus caused several customer complaints thus leading to loss of confidence in the Authority.

To reduce the effects of the inefficiencies and inaccuracies in the billing system, the respondents indicated that the Authority needed to engage in intensive training of more staff and PDB operators, maintenance and updating of the PDB. This will equip the employees with the requisite skills and knowledge to help deliver quality services to customers. With a more satisfied customer base, the Authority will create loyalty among its customers which it may use to justify future charges review.

5.3 Conclusions

From the findings, the study concludes that WRMA faced several challenges in following the changes in the operating environment. These challenges included limited resources for the implementation of its mandate which meant that some activities had to be shelved to wait for resource availability, lack of clarity on the position of the Authority which created some level of confusion in clearly understanding the channels of discussing issues related to the Authority. High resistance to paying water use fees by local communities especially in rural areas where there was none or limited piped water resources limited the revenue sources for the Authority hence affecting its sustainability.

Another challenge that the Authority faced included persistent droughts and flash floods due to climate change which caused huge damages to the water infrastructure. There was conflicting legislation affecting land use which brought about soil erosion and water pollution. Due to increased agricultural activities in the country with its increased use of chemicals in the form of fertilizer and chemicals for spraying, there was a lot of dumping of these chemicals in water resources thus interfering with the ecosystems.

Other challenges included overlapping mandates from other sectors like ,Water Service Providers, National Environment Management Authority, Kenya Forestry Service, Ministry of lands, Public health department, Kenya Wild Life Services, Ministry of Environment and Natural Resources among others .These organizations collect revenue from water use and effluent discharge among others hence reducing revenue base for WRMA.

The challenge of water being a social good, a human right and at the same time has an economic value and hence should be paid for means that it is not possible to deny citizens water for non-payment it is only possible to negotiate or have an memorandum of understanding with the customer on the mode of payment. Vision 2030 Flagship projects, MWI Strategic plan, customer focus, which must be accomplished pose a great challenge since they normally consume resources which are also limited and also destruct WRMA from accomplishing its mandate

The formation of partnerships with other government agencies in the water sector had been so far successful as this helped improve the Authority's ability to provide water to its customers. The Authority needed to attraction more funds from the Exchequer through early budgeting discussions with the parent Ministry of Water and irrigation. The billing system was based on self assessment estimates not on measured amount (actual), uses estimates and not actual readings which was identified as a loop hole in the revenues maximization process at the Authority

5.4 Recommendations

From the findings and conclusions, the study recommends that the Authority should strive to reduce its operating expenses by eliminating unnecessary costs. This may be achieved through outsourcing of some services which do not form core functions of the Authority. This may include outsourcing transportation services, meter reading and information system management. The outsourcing is likely to provide ample time for the employees hence improve their efficiency.

The study also recommends the authority clearly defines its mandate and reduces the overlaps in order to streamline its revenue streams. At the moment, the Authority is in competition with other already established parastatals like National Environmental Management Authority and Kenya Forest Service. These organizations happen to be collecting some revenue meant for WRMA. In order to improve its financial sustainability, it is important that the revenue sources for the Authority are well outlined. The study also recommends that the Authority invests in a billing system and creates accountability by separating the staff handling billing, abstracts, and invoicing. This would bring about accountability and high levels of corporate governance.

5.5 Limitations of the Study

The respondents were reluctant in giving information fearing that the information asked would be used to victimize them or paint a negative image about them or the authority. The researcher handled this problem by carrying with her an introduction letter from the University and assured the respondents that the information they gave would be treated with confidentiality and was used purely for academic purposes.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on the competitive strategies in response to challenges of external environment by water resources management authority in Kenya. The researcher, however, minimized these by conducting the survey at the Authority's top management as they are involved in strategy formulation and implementation.

5.6 Area for Further Research

The study recommends that a similar study should be done on the competitive strategies in response to challenges of external environment by other public institutions. This is because the implementation the new Constitution together with other changes happening in the operating environment has changed the operating parameters. This would allow for generalization of the findings on the competitive strategies in response to challenges of external environment by government parastatals in Kenya. With clear information about the competitive strategies in response to changing external environment, the Government offices will be in a position to offer quality services to its citizens.

The study also recommends that another study be done on the change management and challenges of strategy implementation at the Water resource management Authority. This is because the Authority has faced several challenges in its strategy implementation which it would be important to be brought to the fore. As for the change management, the Authority has had to deal with the new changes implemented where it was established and given mandate to run its affairs independent of the Ministry of Water and Irrigation total support.

5.7 Implications on Policy, Theory and Practice

The study should be important not only to the WRMA staff but also other managers in other government institutions. It should help them to understand the competitive strategies to develop in response to challenges of external environment among government offices and how to overcome them. It should also help different firms to align their operations with the changing operational environment.

The study should be a source of reference material for future researchers on other related topics; it should also help other academicians who undertake the same topic in their studies. The study should also highlight other important relationships that required further research; this might be in the areas of relationships between change management in organizations. These areas are important because the only constant thing in the operating environment is change. Organizations that are able to deal with change are better placed to deliver competitive service at competitive prices. This helps improve the levels of customer satisfaction with the services provided by the government offices.

On policy, the findings of this study would be important to policy makers in establishing the competitive strategies in response to challenges of external environment. Many a time, the changes occurring in the operating environment can easily render an organization obsolete. The only thing that is constant is change. For any organization to thrive and outperform the competition, it is important that it adapts to the changing environment.

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APPENDICES

Appendix I: Interview Guide

1. What are the sources of finance for WRMA? Are these sources sufficient? How can they be improved?
2. What challenges has WRMA faced as a result of changes in its external environment?
3. How have these challenges affected the operations of WRMA?
4. What competitive strategies has WRMA applied in response to the changes in the external environment?
5. How effective are these competitive strategies in responding to changes in the external environment?
6. What other competitive strategies should WRMA apply to effectively respond to the challenges of the external environment?
7. How can WRMA communicate attitude change among the public on effective payment of water usage charges?
8. How competitive is the billing system of WRMA? Does it have any short comings? How can these shortcomings be eliminated?
9. How does WRMA go about in collection data on water consumption and permits? Is this process effective?
10. In managing its costs, how can WRMA reduce the unnecessary costs to the organization?
11. How informed is the public about WRMA? What should WRMA do to improve

its popularity among the public?

12. Does WRMA carry out enforcement on revenue collection? How often and how can it be improved?

13. Based on the resources controlled by WRMA, do you think it is important for WRMA to have a resource mobilization strategy? Please explain.

Appendix II: Letter of Introduction from the University of Nairobi



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P O Box 30197
Nairobi, Kenya

DATE 8/8/2012

TO WHOM IT MAY CONCERN

The bearer of this letter JENIPHER ANHIMO ABUMBA

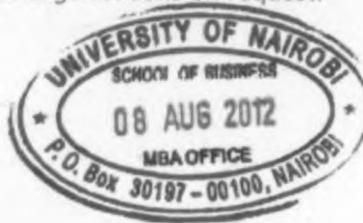
Registration No. DB1/75162/2009

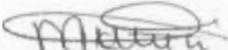
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.




IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

Appendix III: Data collection Letter from Water Resources Management Authority



WATER RESOURCES MANAGEMENT AUTHORITY

NHIF Building, 9th Floor, Wing B
P. O. Box 45250 - 00100, Ngong Road
Nairobi - Kenya

Tel: +254-020-2732291/2729048/9
Fax: +254-020-2729950
Email: wrma@wrma.or.ke
Website: www.wrma.or.ke

WRMA/HRD/1/5/3/1 Vol 3 (28)

9/08/2012

To all WRMA staff.

Re: Research Project on Competitive strategies in Response to challenges of External Environment by Water Resources Management Authority in Kenya by Ms. Jenipher A. Agumba.

The above Research will be carried out by the above officer who is based at the head office of this organization. She is required to undertake a research project as part of her MBA degree program at University of Nairobi as per the attached letter.

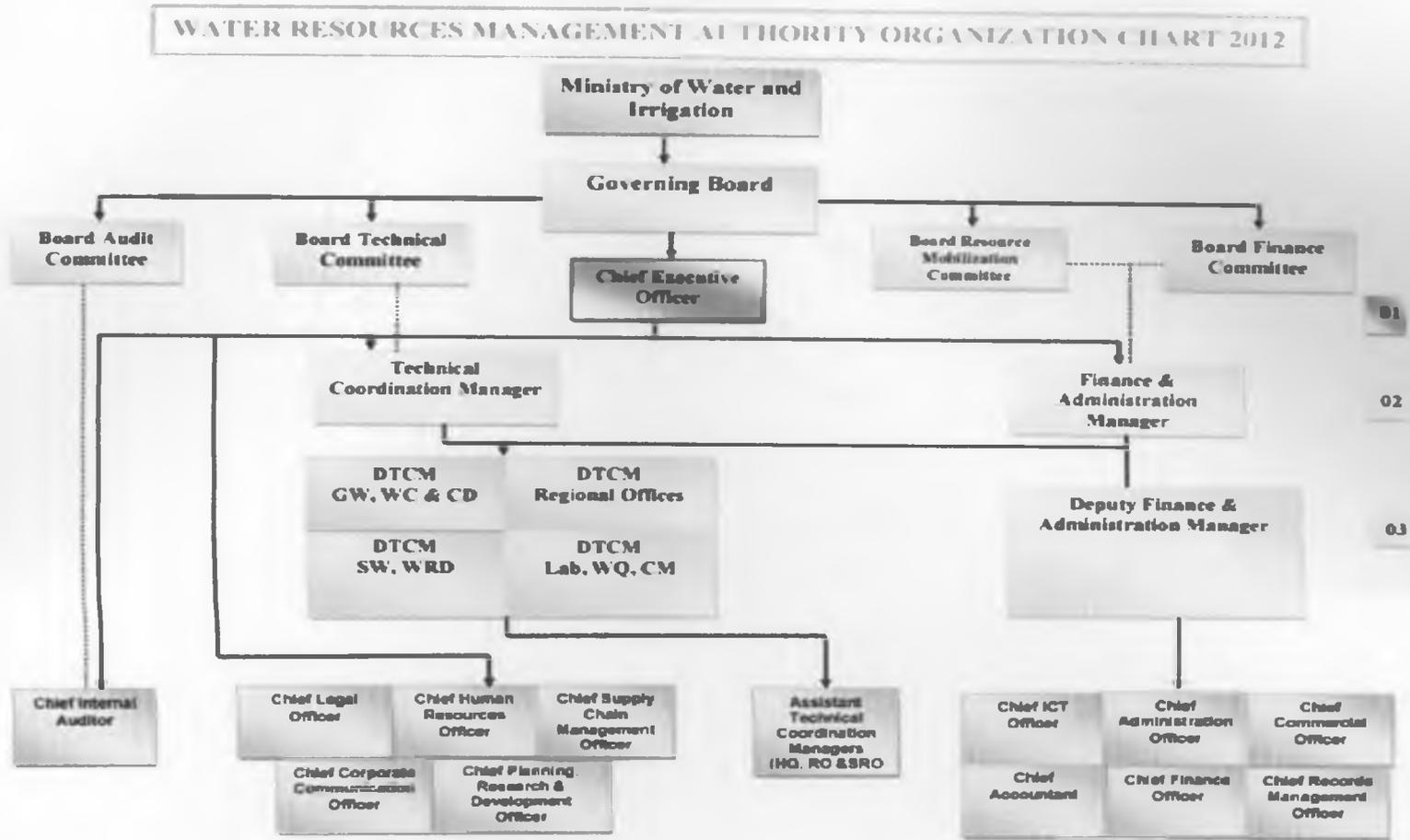
The purpose of this letter is to allow her to conduct an interview guide with relevant officers who shall provide her with information to allow her accomplish her project. This office requests for your corporation during this activity.



Eng. P. J. Olum

Chief Executive Officer.

Appendix III: Organogram for the Water Resources Management Authority



Source: (Water Resources Management Authority Strategic plan 2012-2017, 2012)