

**ORGANIZATIONAL STRUCTURE AND STRATEGY IMPLEMENTATION AT  
GEOHERMAL DEVELOPMENT COMPANY IN KENYA**

**BY**

**MOINKETT IRENE SIAPEI**

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**DECLARATION**

This project is my original work and has not been presented for a degree award in any other University

**MOINKET IRENE SIAPEI**  
**REG NO: D61/68139/2013**

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Signature

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Date

This research project has been submitted to the University with my approval as University Supervisor

**MR. J. KAGWE**

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Signature

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Date

Department of Administration,  
School of Business.

## **DEDICATION**

I dedicate this research project to my family members, my husband Dr. Mutua Mulwa, My daughter Natasha and my son Sean for their encouragement and immense support during my entire study.

## **ACKNOWLEDGEMENT**

I wish to express my gratitude to God Almighty for granting me the gift of life and allowing me to pursue this course. I wish also to express my sincere appreciation to my supervisor Mr.J. Kagwe of the department of Business Nairobi University for his tireless support, guidance and advice which enabled me to accomplish this work.

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## **ABBREVIATIONS AND ACRONYMS**

|                     |   |  |
|---------------------|---|--|
| <b>AFDB</b>         | - | African Development Bank               |
| <b>FDA</b>          | - | French Development Agency              |
| <b>GDC</b>          | - | Geothermal Development Company         |
| <b>INDIAN EXIM-</b> |   | Indian Export – Import Bank            |
| <b>IPPs</b>         | - | Independent Power Producers            |
| <b>KENGEN</b>       | - | Kenya Electricity Generating Company   |
| <b>KETRACO</b>      | - | Kenya Electricity Transmission Company |
| <b>KPLC</b>         | - | Kenya Power and Lighting Company       |
| <b>REA</b>          | - | Rural Electrification Authority        |
| <b>UNDP</b>         | - | United Nations Development Program     |
| <b>USEXIM</b>       | - | US Export- Import Bank                 |

## ABSTRACT

Strategy implementation determines the success of an organization because it actualizes the plans that have been set by the organization. Implementation phase of the strategy presents the greatest challenges because it involves interplay of several variables, both internal and external to the organization. The internal variables such as the organizational structure are within the control of the organization and the management can manipulate them to suit the required purposes. Equally the strategy drawing process influences the strategy implementation and hence appropriate participative procedures should be adopted by an organization in coming up with the strategy. The energy sector is expected to play a critical role towards achievement of the country's vision 2030. Implementation of strategies by the firms in the energy sector is therefore critical towards achievement of government's policies and strategies. Cheap power reduces the production cost of goods and services, making them affordable to the citizens and competitive in the global market. Geothermal energy has been classified to be cheaper when compared to hydro and thermal power. The government is therefore keen to see the strategies of Geothermal Development Company (GDC) being successfully implemented. Successful implementation of GDC strategies shall provide adequate power that shall enable the government achieve the development objectives of industrialization. The research project was a case study on GDC. The objectives of the study were to determine the strategy implementation process; establish the role played by organizational structure in strategy implementation and to determine the challenges of strategy implementation at GDC. Research used primary data that was collected through the use of interview guide instrument. Content analysis method was used to analyze the data collected. The study established that strategy implementation process was team work that cut across all the levels of GDC hierarchies. Organization structure was found to play an important role in strategy implementation. GDC was found to have organic organizational structure that was flexible enough to allow adjustments during strategy implementation. The challenges to strategy implementation were largely external to GDC and arose out of the presence of strategic alliances partners. Major limitation of the study was the fact that the study was a case study whose implications are more to the organization or GDC as opposed to other firms in the industry. Further cross sectional research is therefore required before the findings are declared to be universal in application. The study recommended that GDC should reduce the heavy reliance on the strategy partners and work towards self-sufficiency. GDC should also look outside the Kenya borders, especially on Uganda and South side to generate and export surplus power using the Kenya Northern Corridor.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Most organizations whose strategies have failed or succeeded pinpoint at the strategy implementation phase as the spinning point which determines success or failure of the strategy. Strategy development though a critical mental configuration phase on how the strategy should be designed is only important if the strategy is successfully implemented (Alton and Ikavalko, 2001). Strategy implementation involves several variables that are internal or external to the organization (Pearce and Robinson, 2002). The variables central to success or failure of strategy implementation include; nature of the strategy, internal policies and support systems, resources allocation, fit between structure and strategy, trans-organizational arrangements such as strategic alliances, mergers, acquisition or takeovers and organization social settings in the form of leadership, communication process and organization culture. Strategy implementation is contextual to an organization with each of the variables affecting implementation of strategy differently in different organizations.

Strategy implementation is based on a theoretical framework which is both introvert and extrovert. Introvert theories are inward looking to the organization and attempt to explain how the organizations internal components of techno-structure, social settings and organizing interact during implementation of the strategy. Resource Based Theory (RBT) and dynamic capability theories are largely applied to explain the role of organization's internal to strategy implementation. Extrovert theories are externally looking and attempt to explain how the organisation's environment influences strategy implementation. Extrovert theories profess that an organization should align its internal components to the environment for effective strategy implementation (Porter, 1986). Resource dependence theory (RDT) is largely applied in extrovert view to explain the dependence of the organization to the environment for the resources required in strategy implementation. The organization is viewed to be an open system that is largely influenced by the

dynamic changes in the environment to which it's dependent for resources, market, opportunities and threats determines how well it implements its strategy (Werner,2008) Environment of Geothermal Development Company (GDC) has high dynamism. Government's restructuring strategy in energy sector is a continuing process that has resulted to setting up of several organizations and development of increasingly many pieces of legislations. There is a high performance expectation for GDC due to anchoring of geothermal power to achievement of Vision 2030 (GDC Report, 2012). Global technological changes dictate that GDC keep abreast with current and appropriate technologies through creation and maintaining of sustainable strategic alliances with key global partners in the business of geothermal development. Organisational flexibility through configuration and reconfiguration of organization structure is critical to strategy implementation in such an environment.

### **1.1.1 Concept of Strategy Implementation**

A strategy once formulated requires implementation for it to provide solutions to the needs that necessitated its formulation (Aosa, 1992). Vertical design of organizations and allocation of roles across the hierarchies require that strategy drawing be undertaken by the board of directors and strategy implementation to be done by senior managers and employees at the respective departments (Hellriegel et al, 2005). However, the sensitivity, complexity, importance and associated consequences of failure dictate that strategy implementation be a team work process that cuts across the hierarchies of an organization. Thompson et.al, (2007) are of the view that strategy implementation should be backed by an implementation strategy in the form of a program or plan. The plan needs to be proactively drawn with clearly defined implementation timeliness and responsibilities allocation. The plan guides the organization during the monitoring and evaluation process to determine the success or failure of the implementation process

Strategy implementation plan is a critical mobilization tool that seeks to coordinate all the implementation activities. The activities of strategy implementation includes; provision of adequate resources; employee involvement and participation, vertical and horizontal alliances to bridge the gaps in technology, market and organization internal capacity,

reconfiguration of the internal structure of the organization, leadership or championship in the implementation process, as well as top management commitment and support to the whole strategy process. The implementation plan decomposes the activities into operational tasks which serve as strategy implementation cogs (Pearce et.al, 2009)

Depending on the implementation strategy adopted, each level of management has a role to play in the strategy implementation process (Hellriegel et al, 2005). Implementation strategies which are strategic in nature involving trans-organizational arrangements such as organizational restructuring, strategic alliances, mergers, acquisitions and buyouts shall require involvement of the board of directors and to an extent approval by the shareholders. Implementation strategies which are tactical in nature such as work design, vertical integration with suppliers and other service providers, tactical strategies in functional areas of production, marketing, procurement etc. are carried out by middle level management at the departmental level. Lower level management operationalizes tactical strategy implementation through work design and scheduling, job performance and achievement of targets. In summary, strategy implementation is an integrative and participative process that is pervasive to the whole organization (Thompson et al, 2007).

### **1.1.2 Concept of Organizational Structure**

Organizational structure is a part of technology and organizing components of an organization, the other components being social factors and physical settings (Porras, 1987). Organization structure comprises of; policies, procedures and administration systems; formal structures of departments and hierarchies which are depicted in the organization chart; technical policies and procedures as well as technical expertise and systems adopted by an organization. Meyer and Rowan (1977) have described organizational structure as complex relational networks that exercise co-ordination and control thereby influencing organizational efficiency and outcomes. Organization structure influences strategy implementation because it facilitates communication and information flow; controls allocation of the resources; assigns duties and responsibilities; serves to define jobs and work groups such as project teams, departments, quality circles and influence technology and culture adopted by the organization (Veasey, 2001)

Organizational structure is created through the process of organization architecture and organization design. Organization architecture is a wider concept of organization design that incorporates the social and physical components of the organization in addition to the structure (Veasey, 2001) Organization design on the other hand focuses on formulation of structure component of the organization. Organization structure designed is a function of environment, strategy and growth which are dynamic (Daft, 2010). Organization design is a continuous managerial process that seeks to develop a fit between the dynamic changes of environment, strategy or growth and the organization structure. Das et al, 2000 are of the view that a structural fit once designed reduces organizations turbulence, increases stability and legitimacy of structures leading to successful strategy implementation.

Burns and Stalker (1961) talk of organic and mechanistic structures in explaining the concept of organizational structure flexibility. Flexibility determines the organizations ability to adapt to the changes in the factors of environment, strategy and growth. Organic or simple structures are more fluid and exhibit higher flexibility because they are less formalized; more flat; have horizontal and diagonal communication networks and emphasize on team working arrangements. Mechanistic or complex structures are rigid and are characterized by high formalization, vertical communication networks, emphasis on individual working as opposed to teams and they are tall. Porter (1986) conceptualizes that organic structures are more appropriate in strategy implementation because the structures can be conveniently reconfigured to suit the implementation strategy or plan adopted by an organization and they flexibly adapt to the external organization.

### **1.1.3 The Energy Sector in Kenya**

The energy sector incorporates institutions and activities in the businesses of oil, electricity, solar, biogas and coal. Key activities include those of exploration, production, distribution, importation and exportation. Sessional Paper No.4 of 2004 forms the blue print on Kenya Government Energy strategy for short and medium term goals covering period between 2004 and 2024. Vision 2030 further underscores the importance of the energy sector as an enabler towards achievement of the vision. Electricity remains the

major source of power due to its low production cost, hygiene, ease of transmission and efficiency. Government has undertaken radical policy changes aimed at creating efficiency in exploration, production and distribution of electricity.

Prior to 1997, Kenya Power and Lighting Company (KPLC) managed electricity and power as a state monopoly. Strategic change and streamlining have however been undertaken under the Energy Act of 2006. This has resulted to a total transformation in the management of power and electricity. The major reforms involved separation of electricity production and distribution. Kenya Electricity Generating Company (Kengen) and Independent Power Producers were tasked with production of electricity. Kenya Power and Lighting Company (KPLC) was left to deal with electricity distribution. Power production was further subdivided into hydropower production and geothermal power production. Kengen and IPP concentrate on hydropower production while Geothermal Development Company (GDC) deals with geothermal power production. Power distribution was further streamlined on the basis of voltage to be distributed and rural electrification program. Kenya Electricity Transmission Company (KETRACO) was formed to build new transmission lines and high voltage substations. Rural Electrification Authority (REA) was formed to oversee implementation of government rural electrification projects. KPLC has been reassigned the function of buying power from the producers for distribution using old transmission lines. KPLC also ensures improved consumer services through accurate billing, convenience at the point of sale and elimination of power outage. Energy Regulatory Authority (ERA) is the regulator of all the business activities carried out by the firms in the energy sector.

#### **1.1.4 Geothermal Development Company**

Geothermal energy exploration in Kenya started in 1970's but full realization was achieved in 2008 with the formation of GDC to manage geothermal development (Mwangi, M, 2008). Prior to forming GDC, Kengen with its own fund and occasionally funding from the World Bank, European Investment Bank and United Nations development Program (UNDP) undertook all geothermal activities. Independent power

producers like Oserian Development Company which is at the neighborhood of KENGEN at Naivasha supplemented geothermal energy produced by GDC.

Geothermal Development Company (GDC) was created in 2008 as a special purpose company that is 100% owned by the government and operating under the Ministry of Energy. The company is tasked with the responsibility of accelerating geothermal development through exploration, appraisal, production, drilling, steam field development and management. Currently geothermal energy is produced by KENGEN and GDC. Vision 2030 envisages that 10000 mw of electricity shall be required for the Vision to be realized. Half of the energy shall be geothermal energy (GDC Report 2012).

GDC Strategic Plan (2013-2017) defines the functional structure of GDC to be composed of 9 divisions headed by General Managers. Its head office is in Nairobi and the operations are carried out in South Rift (Olkaria), Central Rift (Menengai) and North Rift (Baringo). The three regions are the source of geothermal holes due to their vantage positions in the Rift Valley whose geographic & tectonic formation is conducive to presence of geothermal energy. The hierarchy of the organization has general managers heading the departments of: Technical Services, Commercial Services, and Business Development, Human Resource/legal and Corporate affairs, Research and Development and Regional Operations. The divisions in total have 17 departments which are headed by managers including area managers for the three regions.

## **1.2 Research Problem**

Organizational structure has been rated highly by the scholars as one of the critical factors that influence strategy implementation. The structure of an organization influences the capability of an organization to reconfigure its operations and to make quick responses through flexible decision making structures. Relationship between organization structure and strategy implementation is based on the organization's ability to reconfigure its operations and work designs to suit changes in resources availability and changes of the environment (Daft, 2010). Viewed from either side, structure and strategy are always on a continuous "change mode" due to change in environment. A

change in one necessitates the change of the other. The near symmetrical relationship makes role of structure in strategy implementation to be an interesting area of study.

GDC is in a turbulent industry which has been deliberately subjected to restructuring by the government through its strategic planned change process. As a new company that has been tasked with the responsibility of successfully steering the country out of hydroelectricity reliance to geothermal electricity sufficiency, successful implementation of its strategy becomes an imperative. The structure strategy relationship becomes a point of focus noting that the company is in its formative years having been established in 2008. GDC's strategic objectives in the short term and medium term timeliness are anchored to the achievement of vision 2030. The GDC's structure therefore need to be flexible enough to enable it accommodate strategy implementation pre-requisites such as technology changes, strategic alliances, regulatory compliances and alignment to the overall vision of the organization.

Several studies focusing on structure and strategy implementation have been undertaken by various scholars. Roth et al (1991) examined the impact of international strategy on organization design and the effect of organization design on effectiveness of business unit level in strategy implementation. The findings were that business unit effectiveness in strategy implementation was a function of fit between the strategy and organisation design. Jones et al (1987) studied on transaction cost analysis of strategy- structure choice. One of the objectives of the study was to determine changes in strategy structure used by an organisation. Their findings were that need to implement strategy was critical in changing strategy-structure used by an organization. Birkinshaw et al (1995) focus on configuration of strategy and structure in subsidiaries of multinational companies. The findings were that strategy-structure relationship was not critical to subsidiaries implementation of multinational strategies. Mwangi, M. (2008) studied on financing of geothermal projects in Kenya. The study cites finance barriers to arise from high upfront cost of geothermal projects, complex legislative frame work, concessionary funding that goes outside the scope of the project to be the major obstacles in funding of geothermal projects. Mulila N. (2009) carried out a research on strategy implementation at KPLC.

The objectives of the study were to examine strategy implementation and its challenges at KPLC. The study established that there is need to align strategy to skills policy, financial capability and organizational culture for effective implementation. The studies on structure strategy relationship is have produced mixed results and hence the need to undertake contextual studies.

To the best of the researcher's knowledge, no known studies have been undertaken on the strategy structure relationship at Geothermal Development Company. The study seeks to fill this gap by answering the following research questions; what are the processes adopted by Geothermal Development Company in strategy implementation? What is the role of organization structure in implementation of strategy at GDC? What are the challenges of strategy implementation at GDC?

### **1.3 Research Objectives**

- i) To determine the strategy implementation process adopted by Geothermal Development Company
- ii) To establish the role played by organisational structure in strategy implementation at Geothermal Development Company.
- iii) To determine the challenges of strategy implementation at Geothermal Development company

### **1.4 Value of the Study**

The study shall be of immense value to GDC and other similar organisations in energy sector, who shall use it as a guide during implementation of strategy. The study shall help the organizations gain more insight on the role of organization structure in the successful implementation of strategy. They shall apply the knowledge gained in aligning the structures developed to the strategy process.

Academician and scholar shall apply the knowledge gained from the study in drawing parallel with other similar studies undertaken. Scholars shall develop or improve on appropriate theories and models that are universally applicable and not restricted to the energy sector only.

The study brings out additional knowledge to the existing one by linking the country's vision 2030 to organisation's structure-strategy relationship. The knowledge is that long-term visions that are implemented through institutions must incorporate supportive structures in the responsible institutions if the vision is to be realized.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter covers the literature review which provides more insight and understanding of organization structure and strategy implementation. Theories applicable to the study, organization structure and strategy implementation and challenges of strategy implementation are covered in this chapter.

#### **2.2 Theoretical Basis of the Study**

Cheri et al (1993) suggests that strategy implementation is a factor of both efficiency and effectiveness of an organization which are in turn influenced by internal and external factors of organization's environment. Theoretical basis of this study shall therefore focus on dependency of the organization on the environment and optimization of the internal resources. Applicable theories of strategy and strategy implementation are resource dependence theory, resource based theory and dynamic capability theory.

##### **2.2.1 Resource Dependence Theory**

Resource dependence theory (RDT) views the organization to be an open system that depends on the external environment for resources and cycling of the output back to the environment (Katz and Khan, 1966). The environment is viewed to be dynamic (Pfeiffer et al 1978), turbulent and rapidly changing (Emory & Trist, 1965) and therefore requiring the organization to possess enough flexibility and adaptability.

Resources are critical to implementation of organizational strategy. Resource dependence theory professes more reliance on "outsiders" and less reliance on "insiders" because the environment is endowed with most of the resources required by an organization (Colin, 2007). The practical consequences are that organizations are more likely to be engaged in external organizational modes of strategic alliances: joint

ventures, outsourcing, networking, joint project and dealing with “preferred” suppliers (Hillman et al, 2009).

Organisations require reconfiguring their structures to accommodate the turbulence of the organization and the various external organizational modes (Ulijin et al, 2010). An appropriate structure adopted by an organization for external resources acquisition ensures cooperation, flexibility, compatibility, competitive advantage, and successful implementation of organizational strategy (Dyer et al, 2001).

### **2.2.2 Resource Based Theory**

Resource Based Theory (RBT) is of the view that organizations possess valuable resources which it can utilize through value addition process before reverting to the external environment (Grant, 1991). The resource to an organization according to Das (1997) can be either “visible/tangible” or “invisible/ intangible” “Visible.” resources includes tangible physical assets of lands, building, machine capital, finance capital and human capital. The “invisible” resources includes product market knowledge, competitor intelligence, tacit know how, managerial skills, talents knowledge or creativity, loyalty, culture, technical and managerial systems. Peteraf (1993) describes the valuable resources as being scarce, imperfectly imitable and lacking direct substitutes.

Resource based theory is concerned more with the “invisible” resources. The “invisible” resources are imperfectly imitable, lack direct substitutes and are scarce because they are embedded and unique to the organization (Hall, 1992). Implementation of organization’s strategy is therefore dependent on the intangible resources which are within the organizations according to resource based theory. The organization should therefore borrow little from the external environment. (Grant, 1991).

The descriptive typology of resources into “visible” “invisible” “tangible” and “intangible” require a fit with the organization structure. Most of the “intangible” or “invisible” resource requires structural flexibility, social working setups like teams connectivity and a supportive leadership and culture (Colin, 2007). An appropriate

organizational structural fit leads to optimal utilisation of the invisible resources and hence effectiveness in strategy implementation (Daft, 2010).

### **2.2.3 Dynamic Capability Theory**

The theory of dynamic capability uses the term “dynamic” to mean to organizations continuous agility in integrating and reconfiguring its internal techno-structural and social structural systems to create a fit with changes which emanate from the turbulence of the environment (Teece et al, 1997). Dynamic capable organizations use the knowledge or intangible resources to develop several strategic fits internal to the organization which enables the organization to optimally utilize the resources. This enhances organization’s performance and effectiveness in strategy implementation. (Verona and Ravasi, 2003).Capabilities that create dynamism include; creativity ion, knowledge management, learning mechanisms, fluid structures, management orientation and team working. (Shiyyi-Chien et al, 2012).

Dynamic capability is structural dependent. Knowledge based resource are more effectively reconfigured and integrated where the structure of the organization allows flexibility, creates a culture of learning, recognizes and utilizes diversity and allows empowerment (Golden et al, 2000). Structures suitable to the dynamic capability are largely organic, entrepreneurial, virtual or team based structures.

### **2.2.4 Stakeholders Theory**

The term stakeholder includes all individual or groups with a legitimate claim in the organisation. They stake holders includes: customers, suppliers, employees, local community all who interact with the organization in reciprocity. The implicit and explicit contracts between the firm and stakeholders demand that the organisation put structures in place where the stakeholders can state their case, reduce the effects of information asymmetry and enforce systems built to protect the rights of stakeholders especially in strategy formulation and implementation (Bonnafous - Boucher, 2005).

Strategy formulation and implementation needs adequate participation of the stake holders. Participation serves to reduce differences and resistance which hinder timely and successful strategy implementation. A sense of ownership arises when the stake holders are involved in the strategy process. The stake holders when involved in the strategy increase their commitment and a willing to undertake more risk and commit more resources towards the strategy. The stakeholders support and resources especially on strategic alliances are critical to strategy implementation (Hitt et al 2001a).

### **2.3 Models of Strategy Implementation**

Several guiding frameworks on strategy implementation and structure have been developed. Chandler's structure strategy proposition and Mackinsey 7's model are viewed to be comprehensive.

#### **2.3.1 Chandler's Structures – Strategy Model**

The framework was developed by Chandler (1990) to explain relationship between the growth or size of an organization and strategy implementation after observing behavior of big and successful firm in America. Growth of an organization emanates from adaptation of opportunities arising from the environment. Such growth can be observed through new product lines, opening of new branches, adoption of technology or size in number of employees. Growth of an organization is always associated with change or development of a new strategy. The observations on chandlers research were that a change in strategy leading to growth is always associated with change of structure, hence structure follows strategy.

Small firms or entrepreneurial firms consist of informal arrangements and are usually without defined structures. The entrepreneur manages and directs all the activities including decision making. The firm develops new strategies to take advantage of new opportunities in the environment which leads to medium size growth. A centralized structure is then developed with relevant hierarchies and horizontal or functional departments. Formalization is introduced with rules and procedures to enable coordination. The entrepreneur retains to decision and strategy making role. New

strategies are developed leading large size growth. Spatial growth in branches or diversification is carried out leading to creation of branch divisions Strategic Business Units (SBU) structures. Diversification and spatial growth shall call for new organization structure which leads to decentralization and demand for flexibility. Flexibility allows division, branches or unit managers to make decision on how to implement strategy in their operational areas.

### **2.3.2 Mackinsey 7's Model**

This 7's model is internal based and views at internal capabilities in implementation of organizational strategy. The model provides a comprehensive approach in strategy implementation by taking into consideration the appropriate variables which require reconfiguration for successful strategy implementation. The variable includes; structures, systems, staff, strategy, skills, style and subordinate goal.

Strategy implementation requires alignment of structure to the strategy. Alignment is the redesign of jobs and the operations flow, change of decision making units and improvement of flexibility (Miller, 1986) Alignment of structures to strategy leads to change of operations systems which allow for seamless flow of operations into the various redesigned work units. Change of structure and systems can occur through Business Process Reengineering.

Staff competence, skills, attitude, commitment and innovativeness are critical to strategy implementation. The organization requires closing the skills gap through appropriate training programs that lead to skills enhancement and change of attitude and commitment. The structure of the organization shall be critical inspiring innovation and creativity.

Leadership style is critical in determining employee empowerment, discretion in decision making and flexibility in accepting change. The style of leadership also allows employees participation in strategy development. Participation by employees reduces the level of resistance and improves cooperatives during strategy implementation.

Subordinate goals imply that there should be goal congruence between the organization and the employee. Employee shall support strategy implementation where they are of the view that the strategy shall lead to individual or group development. Community of the strategy and the associated benefits is critical to win the employees.

#### **2.4. Organisational Structure and Strategy Implementation**

Strategy implementation involves operationalizing of strategy implementation plan at the various levels of the organization. Pearce and Robinson (2009) postulate that implementation of strategy is a process that cuts across the hierarchies of the organization and requires team working with each level playing a supportive role to the others.

Strategic level of the organization plays an important role of ensuring availability of the required resource for strategy implementation and development of the appropriate structural fit (Daft et al, 2010). The resource required by the organization for strategy implementation can be strategically acquired through external organizational modes. Building of strategic alliances, mergers and acquisitions helps to make up for the resources deficiency in an organization (Das, 2008). The organization shall however require an appropriate structure fit to accommodate such external organizational modes and to attain the required flexibility. The desired structural fit is acquired through restructuring process. Alton et al, (2001) suggests that both organic and mechanistic structures are applied at strategic level of strategy implementation. Mechanistic structures allow the board to exert authority for the policies developed while organic structures are applied to effectively communicate the strategy to the organization. Board and senior management meetings also apply organic structures in ensuring participation (Collins, 2007)

Tactical level of the organization develops the appropriate policies for strategy implementation. The policies provide a detailed framework on how the organization strategy is to be implemented. The policy framework is in the areas of: work and processes design, department structures, integration and coordination as well as work programs that guide on strategy implementation (Cummings et al, 2009). Tactical level

therefore decomposes the strategy of the organization into functional units, work groups and team structures for strategy implementation. French et al (2007) suggests that strategy implementation at tactical level is a combination of both organic and mechanistic structures. Organic structures are applied in work groups and teams while high formalization or the chain of command at departments is mechanistic. Formalisation acts as a guide during implementation and facilitates continuous monitoring and control.

Operational level of the organization implement the strategy in line with the plans developed at the tactical level. Work scheduling, achievement of targets and job performance ensure that the strategy is implemented at; budgeted or planed cost, timeline, standards and attains sustainability (French et al, 2007). Structure that supports strategy implementation at operational level is largely mechanistic in nature with prescriptive work schedules, targets and deadlines. Where appropriate, the structure enables production process to meet the customer deadlines and specifications (Daft, 2010)

Organization structure is therefore an important factor in strategy implementation at all the levels of the organization. Organic structures are more effective in strategic implementation because they allow for flexibility or agility which enables the organization to adjust its operations to suit various changes that may occur during strategy implementation process. Mechanistic structures ensures following of the prescribed guidelines, action plans and procedures during strategy implementation (French et al, 2000).

## **2.5 Challenges of Strategy Implementation**

Strategy implementation represents the most challenging phase of the strategy process. The challenges of strategy implementation include the strategy itself, structural fit challenges, cost and risks, employee commitment, management and leadership challenges. A well-crafted strategy is bound to be effectively implemented (Pearson & Robinson, 2000). Formulation of the strategy requires scanning of the environment to determine strength, weaknesses, opportunities and threats. Poorly crafted strategies fail to recognize organization's weaknesses in the form of skills deficiency, resources scarcity and time span. It also fails to recognize environmental threats of environment in the form

of turbulence and instability (Thomson & Strickland, 2007) Implementation of a poorly crafted strategy poses a challenge to the organization due to incapacity of the organization and environment unpredictability.

Structural challenges occur where the structure of the organization is not aligned to the strategy. Porter (1986) is of the view that a misfit between the strategy and structure shall pose a challenge to strategy implementation. The generic model developed by Michael Porter of porter aligns structure to strategy by defining the various forms of strategies open to an organization. Low cost strategy is aligned to mechanistic structures while differentiation strategy is aligned to organic structures. Mechanistic structures provide a higher challenge during strategy implementation due to their rigidity (Daft, 2010).

Costs and risks of strategy implementation are usually very high and pose an implementation challenge. Ohmae (1992) applies transactional cost theory to suggest that the cost to strategy implementation arise from transaction, production or operations, adapting, monitoring and the learning curve costs. High costs are a major risk to an organization which is implementing strategy. Organisation adopts external organizational arrangements such as joint ventures, mergers, acquisitions and strategic alliances to spread the risks and share the cost of strategy implementation (Das et al, 1999).

Employee commitment challenge arises when employee fail to support the strategy during the implementation phase. Armstrong (2012) provides that such lack of support emanate from a failure to involve the employees during strategy formulation. The strategy is therefore viewed as a top management project that is little understood and is misinterpreted. The strategy lacks ownership from the employees and its implementation is resisted (Atton et al, 2001).

Absence of management support and leadership is a challenge to strategy implementation due to absence of a champion to coordinate all the activities during the implementation process. Johnson & Scholes (2002) gives the view that an implementation process that

lacks management support is characterized by disjointed working, poor flow of resources to the project, ineffective monitoring and eminent failure.

## **2.6 Empirical Studies**

Ruffini (2000) studied on organization design and efficiency of operations in organization. The study that was established the influence of the organizational structure which are derived from organization design to the operational performance and hence strategy implementation. Through the study was production organization based, it applied technology ad new forms or organization design such as matrix, teamwork and networks to determine the influence of organizational structures to production based strategies in an organization. The study established that, the structures were critical in influencing the performance of an organization in implementing production based strategies.

Veasey (2001) researched on use of enterprise architecture in strategy management or implementation. Vesey pointed out that the term architecture was wide enough to include stakeholders, capabilities, culture, operational processes, structure and technology. The study sought to establish the influence of each of the elements of organizational architecture to the strategy management and implementation. The study established that organization structure played a more important role compared to the other elements of organizational architecture. The study attributed the importance of the structure to its ability to offer required flexibility, design of work structure and systems and determining the level of formalization.

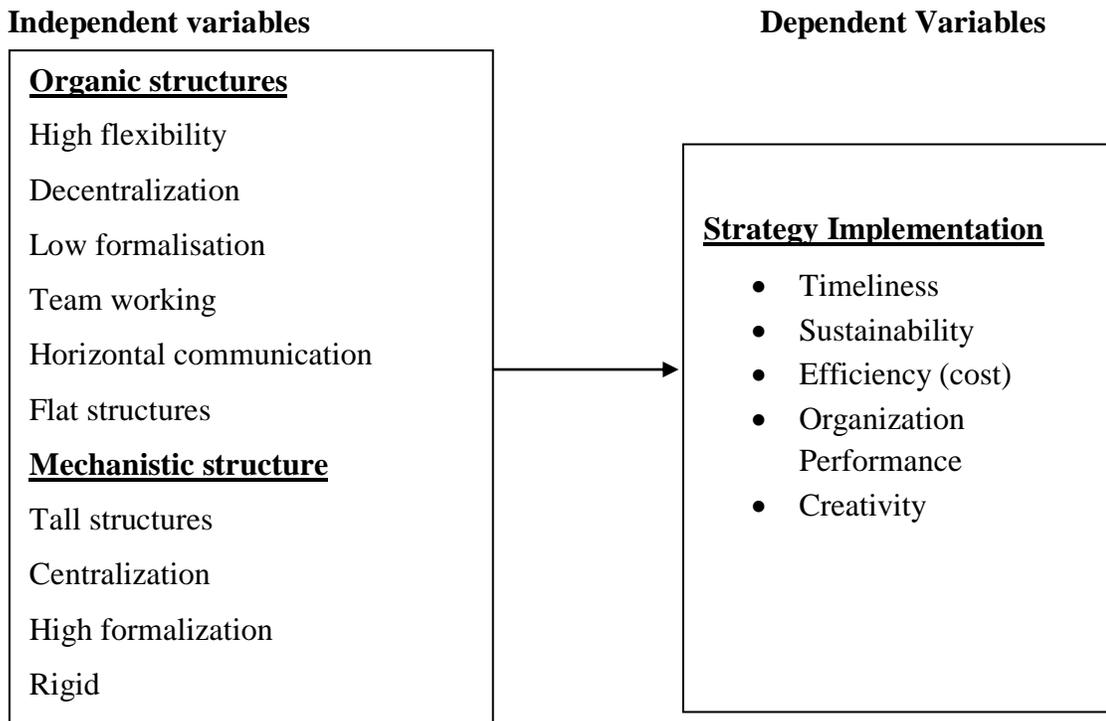
Birkinshaw (1995) studied on the strategy structure relationship for subsidiaries of multinational companies. The study sought to establish influence of the differences in structure layout between subsidiaries and the parent company in a strategy implementation.

The study sought to answer the question whether dissimilarities in structure and work arrangements between the subsidiary and mother company affected strategy implementation and performance. The research established that similarity of the structures positively influence the performance of the subsidiary.

Dunford et.al (2013) researched on organizational flexibility and implantation as a change process. The study provided the view that the flexibility of the organization was a function of the structure through the process of organizational design. Organisational flexibility enables flexibility in structure elements of; hierarchies, work structures, teams, coordination and integration. The study postulated that flexibility gave rise to quick responses which were described to be effective “dynamism” to strategy implementation especially where adjustment are necessary during the strategy implementation.

**2.7 Conceptual framework**

Organisation structure plays a critical role in successful implementation of the organizational strategy as shown in Figure 2.1.



**Figure 2.1 – Conceptual Framework**

Organic structures are preferred in strategy implementation because they allow flexibility, team working, low formalization, horizontal communication and decentralized decision making. This enables organization to make modifications during strategy implementation. Mechanic structures are characterized by many rules and regulations, many controls, rigidity and vertical communication. Alignment of structure to the strategy, leads to a successful strategy implementation which is timely, sustainable and efficient leading to creativity and improved organization performance.

## **2.8 Chapter Summary**

The chapter brings out the theoretical foundation on strategy implementation. The main theories outlined are resource dependence, resource capability, dynamic capability and stake holder's theory. The theories address the internal and external of the organization in relation to strategy implementation. Resource dependence theory and stake holder's theory examine the need of the organization to consider its external environment for resources and the interests of various stake holders in its strategy process. Resource based theory and dynamic capability theories address the external of the internal of the organization whereby efficient utilization of the resources within the organization and ability to reconfigure the structures and knowledge management enhance the dynamism of the organization during strategy implementation. Mackinsey 7s model and Chandler strategy-structure models are reviewed to be applicable in guiding strategy implementation process.

Role of organization structure and strategy implementation has been reviewed. Appropriate structure was discussed to help strategy through organizational flexibility, communication, decision making, quick response to opportunities and enhances creativity and innovation. The main challenges to strategy implementation were noted to be the strategy crafted, costs and risks, employee commitment, leadership and structural challenges. Empirical studies reviewed have largely supported the importance of structure to strategy implementation. The conceptual frame work of the study have identified the independent variables to the elements of organic and mechanistic structures while the dependent variables are strategy implementation elements of timeliness, sustainability, efficiency (cost), organization performance and creativity

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter was arranged to provide insight in research design, data collection and data analysis that was used in the study.

#### **3.2 Research Design**

The design of the research was a case study because the limit of the study was one organization namely Geothermal Development Company (GDC). Cooper and Schindler (2003) observe that a case study provides a detailed contextual analysis of few events or conditions in a situation. A case study allowed the researcher to focus on the areas of interest in the unit of analysis at GDC by limiting the research to the research question and the objectives

The researcher applied one or more of the several case study methods that fitted particular circumstances at GDC. In using the case study, the researcher sought to explain the following phenomena at GDC; strategy implementation process and role of organizational structure in strategy implementation of strategy at challenges of strategy implementation. The phenomena's were stated in the research problem and objectives of the study.

#### **3.3 Data Collection**

Primary and secondary data were used in the study. Primary data was collected from the employees of GDC who were involved in the strategy implementation. The heads of the divisions or the senior managers in the divisions were interviewed. A total of nine managers representing each of the GDC divisions were interviewed. The objectives of strategy implementation were largely addressed by primary data while the objective of role of organizational structure in strategy implementation was addressed largely by secondary data.

Data was collected through the use of an interview guide. The interview guide was developed to help answer the research questions. The interview guide was preferred as an instrument of data collection because it offered flexibility of contextualizing the questions to the organization under the study. In addition to the research question, the interview guide was used to gather other information that was relevant to the study. The interview guide had the following sections; demographic data, strategy implementation and challenge of strategy implementation at GDC.

The interview guide was administered through interviews that were conducted by the researcher or research assistant in conducting the interview, the researcher or research assistant guided the interviewees through the filing of the interview guide, clarifying any unclear questions, emphasis on areas key to the study and ensured focus to the objectives and research questions.

### **3.4 Data Analysis**

Content analysis method was used to analyze the data. Shanon et.al (2005) describes content analysis as the systematic qualitative description of the composition of the objects or methods of the study. Content analysis involved observation and detailed description of objects or items that comprised the object of the study.

Content analysis was applied in rigorous exploration of many important but difficult issues of study which were of importance to the management and the researcher. The research was conducted in the environment where the events were occurring. The content analysis method therefore allowed a detailed study of the various environmental conditions under which the organizational strategy were being implemented. The content analysis method also helped in tracing the process and sequence of events in the particular settings of the organization.

### **3.5 Chapter Summary**

The chapter on research methodology has outlined the design of the research which is a case study. It discusses case study as a method of research which allows for in-depth analysis of contextual event and which enables researcher to focus key areas of interest. Method of data collection used was the interview guide. The interview guide was structure to help answer the research questions and achieve the objectives of the study. The researcher and the research assistant administered the interview guide to the respondents who were senior managers at GDC involved in strategy implementation.

Content analysis method was used to analyse the data. The method allowed the researcher allowed the researcher to apply detailed study of areas of interest at GDC. Strategy crafting and implementation process at GDC was effectively traced through content analysis because the method can be contextualized to a particular environment.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter discusses the data analysis and research findings of the study. The data collected was analyzed and interpreted in line with the objectives of the study which are: to determine the strategy implementation process adopted by Geothermal Development Company; to establish the role played by organizational structure in strategy implementation of Geothermal Development Company; and to determine the challenges of strategy implementation at Geothermal Development Company. Content analysis method was used to analyze the in-depth qualitative data that had been collected.

#### **4.2 The Interviewees**

The interviewees in the study were nine senior managers of GDC; departments / divisions, Technical Services, Commercial Services, Business Development, Human Resources, Legal Affairs, Corporate Affairs, Consultancy Research and Development, Drilling Services plus the three field Regional Operational areas of South Rift (Olkeria), Central Rift (Menengai) and North Rift (Baringo). The senior managers were chosen as the respondents because they are directly involved in strategy implementation at their respective areas of responsibilities.

The response rate was 100% with nine senior managers from each of the department responding to the question guide. Most of the respondents had worked at GDC in their current positions for a period of 3-5 years. This is due to the fact that GDC is a young establishment that was formed in 2008 through an act of parliament to spearhead exploration, development and management of geothermal energy in Kenya.

### **4.3 Strategy Implementation Process at GDC**

All the respondents indicated that the strategies developed at GDC are in support of the organization's strategic plan of 2013-2017. The strategic plan aims at producing 5000 megawatts of geothermal power and electricity and thereby effectively replacing hydro and diesel generated energies which are currently considered as major power.

#### **4.3.1 Strategy Crafting**

Corporate planning and strategy department was said to have the responsibility of developing or crafting the strategy. The respondents indicated that there is a participatory approach in the strategy crafting. Key stakeholders give their input during strategy crafting. The stakeholders whom the respondents indicated include KENGEN and IPPs which are the customers to the geothermal power generated by GDC, Ministry of Energy which provides policy framework, Energy Regulatory Authority (ERC) which is the statutory regulatory body, key donors or funders like World Bank, China Development Corporation, African Development Bank (ADB), Japan International Corporation Association (JICA), other strategic alliance partners in the supply chain, employees especially the general managers in each of the nine divisions and the consultants. The objectives of having an all-inclusive policy in strategy crafting are to minimize resistance during implementation and to ensure effective coordination of the stakeholders during the strategy implementation.

The respondents indicated that the crafted strategy by the corporate planning and strategy department is always passed to the Board of Directors through the Chief Executive Officer (CEO) The board of directors evaluates the strategy, giving vital inputs and making subtle amendments where necessary before approving the strategies. The strategies are only implemented at GDC if they have the approval of the board of directors.

Strategy implementation process was reported to be a teamwork involving all the levels of management: strategic, tactical and operational levels.

### **4.3.2 The Strategic Level of Management**

The strategic level of management was composed of the board of directors and senior management of GDC. The respondents indicated that the strategic level of management strategy implementation process involved the following; formulating strategic alliances critical to strategy implementation, developing the organization structure of GDC to support strategy implementation, resources mobilization and their disbursement, developing time frames and policy guidelines to be followed during implementation overseeing or monitoring strategy implementation on a continuous basis and provision of top management commitment to the successful implementation of the strategy.

Strategic alliances are external organizational modes that are used in strategy implementation/ GDC strategic alliances are organizations which partner up with GDC in the business of GDC. Respondent indicated that the Energy Act of 2006 that streamlined the energy sector into functions of power generation, transmission and distribution requires that KENGEN be a strategic partner to GDC. KENGEN as a strategic partner was reported to buy geothermal power for GDC. Senior management of GDC and KENGEN are involved in joint planning and coordination. KENGEN ensures that they shall buy all the geothermal power generated by GDC. Other strategic alliance partners to GDC whole the board of directors liaise with were indicated to be.

Organization structure was described to be critical in implementation of strategy at GDC. An organization structure influence strategy implementation through definition of work layout, departments' layout, reporting relationships. Respondents indicated that senior management was responsible for developing the approval organizational structure which is aligned to the strategy of GDC. The structure of GDC was described to be evolving because the organization is relatively new. Its strategic plan is therefore being implemented gradually through different phases. This implied that strategic level management of GDC is continuously reviewing the organizational structure to support the different faces of strategy implementation.

Resource mobilization and their disbursement or allocation to the appropriate departments was described to the function of the strategic level management. The board of directors sources funding from the government budgetary allocation, and from the external funders of World Bank, African Development Bank (ADB), International Finance Committee (IFC) and other development partners like Chinese Fund, Japan International Corporation Agency (JICA) and Canadian Development Association (CDA). The respondents indicated that external sourcing of funds is done through the government Ministry of Energy. Once available, the resources of funds are allocated to the projects as per the budget. Respondents indicated that the strategic management ensures that the available funding is not misdirected to strategies which they haven't approved.

The frames for strategy implementation were developed by strategic management guide in strategy implementation by indicating the implementation plan and responsibility allocation. Implementation plans were described to important tools which help the strategic management to check on progress of strategic implementation. Strategic management was said to use the plan in making the necessary modifications and to provide additional support to strategy implementation which could not have been captured in the budget. The strategic implementation was also found to be useful in indicating the strategies which were lagging behind the schedule and require strategic level management device appropriate interventions. Respondent also indicated that strategic management level was involved in development of policy framework that guided in the strategy implementation. The policy framework was said to be incorporated in the responsibilities and ensured that the implementation was in line with agreement entered with external funders and the requirements of the government through Energy Regulation Commission (ERC).

Top management support in strategy implementation was found to be given by the strategic management. Respondents indicated that the top management was always available in coordination meetings for strategy implementation. They also communicated the strategy in their respective departments and in other communication strategies adopted by GDC. Rewarding and recognition was found to be used by top management

to employees, teams and departments that were evaluated to have implemented the strategy as per the time frame and the policy. Respondents agreed that the visible top management support served to reinforce a sense of urgency and commitment to the employees in strategy implementation.

#### **4.3.3 Tactical Level of Management**

This level of management was found to be composed of the departmental heads and the regional managers. The managers in the group were described to be the champions in the strategy implementation because strategies are implemented at the departments which they head. The tactical level managers were found to be instrumental in strategy implementation by carrying out the following roles; offering leadership, mobilizing the employees towards working for a common objective, designing and coordinating the hard work flows in the departments, ensuring employee performance and ensuring the working of the strategy implementation schedule developed by board of directors.

It was observed that the strategy implementation schedule developed by the board of directors decomposes the whole strategy into inter jobs which are directed to the appropriate departments. The tactical level managers were said to break the job into activities to be undertaken by employees in their departments. They ensure compliance to the strategy implementation plan through effective coordination of the various activities in the departments. The tactical managers were said to act as a link between the departments and strategic level management through provision of feedback in form of implementation reports. The reports from tactical managers were observed to be important in enabling the strategic level managers to make adjustments to the strategies being implemented.

Leadership offered by tactical level management was described to be a motivating factor to the employees in strategy implementation. The managers act as champions of strategy implementation and change through advocacy, offering of guidance, building of teams and influencing the employees to implement the strategy. as champions, the tactical level managers were said to be advocates of the strategy through establish a communication

strategy about the organizational strategy implementation. The communication strategy were said to include newsletter, brochures, internal adverts, slogans, and bill boards.

Mobilization of employees to work together towards achieving a common objective of strategy implementation was described as an important task which is carried out by tactical level managers. The managers through interaction with employees inculcate into their minds the importance of strategy to the organization. Employees develop cohesiveness and work as a team, complementing each other's efforts, sharing information or resources during the strategy implementation process.

Strategy implementation was said to include designing of work and workflow flow programs to fit the strategy implementation schedule. Tactical level managers decompose the work into activities with related activities being grouped in task or work. The work design process was said to create clarity and remove confusion of what the employees are required to do. Tactical managers were also involved in designing the workflow in their respective departments. The workflow was found to be aligned to the strategy implementation plan or schedule. It can be deduced that decomposition of the strategy in paper into real work is largely what strategy implementation is about.

Performance of employee was found to be evaluated on how well they undertake their task and duties prescribed to them by the tactical level managers were said to build a performance management system in their departments which promotes team working, sense of urgency in performance and overall achievement of the department and organizational strategy. strategy implementation is achieved through performance of employees which is impoverished by the tactical level managers.

#### **4.3.4 Operational Level Management**

Operational level management or frontline management was described to be composed of the supervisors. The supervisors were observed to be in direct contact with the employees at various operational areas of GDC. The supervisors were said to be critical in strategy implementation because they draw the work schedule to be followed by the employees on a weekly or monthly basis. The supervisors were said to develop targets to

which the employees were endeavouring to achieve. The work schedule and targets drawn by the supervisors were found to be in line with the work design and workflow which was developed by the tactical level managers.

#### **4.4 Organizational Structure and Strategy Implementation**

Organizational structure was found to influence strategy implementation through flexible, hierarchical structure, work team, decision making process and formalization.

Flexibility of an organization is how easily, quickly and responsively an organization can reconfigure its work arrangements, tasks, departments, hierarchies, positions and policies to create a strategic fit between the structure and strategy. Flexible structures allow quick response and creation of a strategic fit. GDC structure was noted to be flexible enough to allow quick response. The departments were clearly defined with employees who were assigned different tasks. Multi-tasking allows flexible because can be deployed into the department or areas where more skilled manpower is required.

Hierarchical structures determine when an organization can be described to be flat or tall. GDC was found to be a flat organization because it has few levels of management or hierarchies (see attached appendix 2). The respondents indicated that GDC has three levels or hierarchies namely; CEO, department or division heads, supervisors and employees. The middle level management was not to lean with no positions of assistant managers. Flat structures were noted to allow the tactical and operational level managers to make decisions in their departments without a lot of influence from many managers along the hierarchy except the CEO. Flat organizational structures were described by the respondents to be flexible and allowing quick response to environmental changes. Flat structures were also noted in the decentralized regional working sites where geothermal energy is generated. The regional managers who report directly to the CEO were noted to have only departmental heads or technical supervisors working below them. The regions out of flat hierarchies are able to meet geothermal energy production targets as required by GDC strategy.

GDC was found to be organized around work teams in strategy implementation. Cross departmental teams and meetings were noted to be a characteristic of GDC working systems. Respondents indicated that cross functional teams were effective in strategy implementation because staff from the various departments could share information, coordinate the overlapping functions, provide support or compliment where joint department working is required and produce the required synergy. Work teams also included with teams from the strategic partners or strategic alliances. Joint planning was noted to occur between geothermal engineers and our partners' expertise. GDC work team is essential in strategy implementation because implementation of strategy requires team effort across hierarchies and within the department of an organization.

Communication within GDC was found to be vertical, and largely horizontal. Respondents indicated that instructions and directions from top level management were infrequent. Communication across the departments was through work teams, interdepartmental meetings, project working and informal groups. Vertical communication from top management was largely on policy and strategy communication. Work team communication was found out to be diagonal with members of the work teams sharing information freely irrespective of the positions or departments. The work teams were described by the respondents to be participative and democratic.

Team members would freely give their suggestions or constructive criticism without fear or intimidation. Interdepartmental meetings were said to be necessitated by work overlaps between departments. For example contracts required legal input were found to necessitate meeting between legal department and the principal department. Projects working drew members from various departments to form the project team. Cross departmental and diagonal project team. Cross departmental and diagonal communication was found within the project team members. Information Technology and Network Systems were found to be the main communication tools. GDC has an established website that is used for internal and external communication as well as for marketing. Mobile phones were found to be largely used in communicating with the regional heads. Communication is critical to strategy implementation at GDC because it allows for

coordination, sharing of information, joint working, feedback mechanism and social interactions between the employee in the form of internal groups.

Decision making process at GDC was found to be participative. Employees input and opinion was always sought on arriving at important decision on strategy implementation. At the departmental level work team and project teams were found to be accommodative to employee participation in decision making with team leaders asking for their members views. Strategic level management decisions were found to be made after manager's deliberations at the senior management meetings.

The structure of the organization was found to be supportive to the decision making process. Flat structure of GDC allowed quick decision making due to absence of many hierarchies. The managers were found to be empowered and made information based decisions in the respective units which they head. The flat structure also avoided distortion of information that is used in decision making. Communication system at GDC which is largely horizontal allows management to gather appropriate information from the departments and hence make wholistic decisions during strategy implementation process. Decision making process was found to be critical to strategy implementation at GDC /because managers were found to make decision regarding resources, finance, performance, work organization; strategic contracts all which have a direct impact to the strategy implementation.

Formalization is the degree to which an organization is dependent on rules and procedures in its work and decision making processes. Presence of many rules and procedures reflects a high degree of formalization. GDC was found to have a Low level of formalisation. Flat organisation structures largely have low levels of formalization. Respondents indicated that there were few approval systems for documents an indication of streamlined procedures in the operations. Low formalization was found to be a factor that aided decision making process by managers. Residents indicated that managers' empowerment in their work units allowed them to make quick decisions without referring upwards to their superiors in the organisational hierarchy. Low formalisation allowed development of creative solutions at the work place in GDC. Creativity and innovation is

supported by low formalisation because absence of many procedures makes the employee to work independently and hence develop creativity. Respondents were of the view that absence of many rules and procedures allowed horizontal communication, team working, coordination, information sharing across the departments and improved flexibility of GDC. Low formalisation influence strategy implementation by giving managers a free latitude to make decisions regarding the strategy which they are implementing.

#### **4.5 Challenges of Strategy Implementation at GDC**

The challenges to strategy implementation at GDC were noted to arise from the nature of the strategy, the organisational structure, cost and visa, employee resistance and management of the organisation.

##### **4.5.1 Nature of the Strategy**

The nature of the strategy affects the strategy implementation because GDC's strategies are largely long term, technical, high finance and strategic alliances oriented. Long term strategies are affected by the unpredictability of the environment. It was observed that the environment of GDC is dynamic one. The government policies and requirements in the energy sector would change midstream the strategy, hence forcing an adjustment to the strategy. ERC would require GDC to adhere new policies which GDC has no control over thereby making strategy implementation unpredictable. The behaviour of strategic partners especially the financiers is also unpredictable in the long run. Temporary withdrawal from Olkaria and other sector funding was cited as unpredictability of development partners. The technical nature of the strategies is also a challenge. Geothermal energy production requires a high technical intensive in the form of machine outlay and human skills. GDC relies heavily on machinery capital from Japan, China and Canada whose logistics of importation, installation and commissioning pose a challenge. The machinery was said to require human expertise and skills to operate and maintenance. This challenge was reported to require staff training on specific machine operations which was done from the country of machinery origin or contracting foreign experts. Respondents reported that this challenge delayed strategy implementation due to the learning curve of trainees or high cost of foreign experts' engagement.

High financial requirements of the strategy posed a challenge to GDC strategy implementation because the organisation was required to make elaborate funding arrangements with strategic financial partners through the ministry of energy and the treasury. The negotiations with strategic financial partners were noted to take time causing delay in implementation of the strategy on paper. Disbursement of funds once negotiated and allocated was described to be slow as the funders require project evaluation and funds accountability as a condition to releasing the next phase capital. Such evaluations are characterized with compliance disputes which take time to resolve, thereby delaying the strategy implementation strategic alliances were noted to pose a challenge to GDC strategy implementation. GDC strategy implementation is largely based on strategic alliances. Key strategic partners to GDC in energy sector were noted to include:- KENGEN, IPPs, REA China Exim, US Exim (GWC), Great Wall Company of China, China Petroleum Technical Drilling Company (CPTDC), suppliers of technical equipment include; Sandong Kerui company of china, Africa development Bank (ADB), French development agency (AFD), world bank and the Indian export, import bank (Indian-Exim). Coordination of the diverse strategic alliance and configuring their system to those of GDC is a major challenge to strategy implementation of GDC. Conflicts of interest between the strategic partners were described to impact on strategy implementation since in strategic alliance, each partner works to achieve his interests.

#### **4.5.2 Cost and Risk**

In implementation the delays were also described to be associated with cost escalation arising out of exchange rate fluctuation and inflation. The long-term nature of the strategy at GDC are based on pegging of exchange rate and inflation levels at a defined range cost of strategy implementation shall increase where the exchange rate and inflationary rate rise above the projected range. It was noted that GDC relies heavily on imported inputs and is hence affected by international financial dynamics. Cost to the strategies was noted to be confined to the budgets. Effective monitoring and controls were noted to have been put in place to ensure compliance. Risk in the strategy implementation was observed to be operational and physical. The operational risk arises from inherent factors internal to the organisation. This was noted to include political interference and quality of

employees and their commitment. Physical risk was observed to arise from the neighbouring communities to GDC.

Geothermal power generation points, all in the rift valley are hovered in pastoralist community lands. The community was observed to oppose the projects to which they describe to have encroached their grazing grounds and natural habitats. GDC was noted to be involved in vibrant corporate social responsibility activities from these communities as a process of mutual co-existence. The community projects were noted to include; building of schools and hospitals, provision of reliable water supply to the pastoralists dry lands and employment provision to the local community. The physical risk was observed to be more pronounced compared to the operational risk. However GDC have managed to manage both forms of risks to a big extent, since that their impact to strategy implementation was described as minimal.

#### **4.5.3 Organisational Structure**

The structure of GDC was noted to pose little challenge to the strategy implementation. The structure was observed to be: lean with few levels or hierarchies; decentralized to regional working branches or divisions; low formalised and with horizontal lines of communication. The organisational structure is organic and allows GDC to have: quick and informed decision, quick and strategic responses to environmental changes; employee's empowerment; effective coordination and employee participation.

Being a young organisation formed in 2008, GDC was observed to have little bureaucracy in the operations. Decisions made are focused to the customer. The culture of the organisation was noted to be evolving. There was a customer culture that is embedded in the systems of GDC. The needs of internal and external customers were observed to guide operations of the organisation. Major customers had formed strategic alliances with GDC that includes KENGEN, KPLC and IPPS.

#### **4.5.4 Resistance**

Employees were observed to give undivided attention to strategy implementation. Respondents indicated that the cooperation is based on the fact that strategy formulation was a participative process that included employees and strategic partners. All the stakeholders are involved in the formulation process and the strategies are effectively communicated to all the employees. Resistance was however said to emanate from the local communities who oppose encroachment of the natural graze lands.

CSR is used by GDC to minimize resistance from local communities. Resistance was also observed to arise from KENGEN, which deals with hydro power generation. The energy Act of 2006 which created GDC came into operation when KENGEN had already started geothermal power generation. KENGEN is therefore uncomfortable to release the geothermal function and strongly feels it should also be involved in future geothermal generation, hence resistance. This historical difference is always pacified by ERC whenever conflict and resistance occurs.

#### **4.5.5 Management Support at GDC**

The management of GDC was described to give the support to strategy implementation. Respondents indicated that the management is in performance contract and their performance is measured on timely and successful implementation of GDC strategy. As such, they give undivided attention to strategy implementation by ensuring strict compliance to implementation time frames, disbursement and allocation of resources and continuous monitoring. The strategies being national projects were described to be free of individual interests.

The support of management was also described to include mobilization of employees to support the vision and strategy of GDC. Managers were noted to provide a participative environment during crafting and implementation of strategy. They motivated staff and encouraged formation of work teams with team leaders reporting to the directly on strategy implementation as per the schedule. Management was also involved in designing

networking with various strategic partners for provision of resources, technology transfer and training exchanges for purpose of strategy implementation

## **4.6 Discussions**

The discussions are on the comparison of the study with the theoretical foundation and with other studies undertaken

### **4.6.1 Comparison with Theory**

GDC was found to rely on its external and internal environment for strategy implementation. Resource dependence theory and stakeholder's theory used in the study emphasizes on the need to consider external environment. GDC was noted to rely more on external organizational modes in the form of strategic alliances for resources and marketing of its steam power. Strategic alliances were noted to involve: KENGEN; KPLC; IPPS; key suppliers; Government agencies and foreign development partners. The stake holders were found to be considered during strategy implementation. GDC was found to be actively involved in corporate social responsibilities that involve community stakeholders. The organization is involved in programs aimed and uplifting the welfare of the community from where the geothermal wells are being drilled. The programs largely includes: water; schooling; and employment.

The study was found to compare with resource based and dynamic capability which are internal to the organization. GDC emphasizes on efficiency in application of the resources through implementation of strategies as per the plan. The plans were noted to give details of resources allocation to activities. Implementation would therefore call for their efficient use with minimal or no wastage. Dynamic capability is applicable through application of loose structures which allow for creativity, quick response and decision making by GDC during strategy implementation.

### **4.6.2 Comparison with other Studies**

The study compares with other related studies cited in the empirical review. Flexibility of GDC has been found out to be critical to the strategy implementation. This is in line with the Dunford et.al (2013) study which established that flexibility is important for decision

making and quick response during strategy implementation. Aligning of structure to strategy through designing process was noted in the study. This is in line with study undertaken by Ruffini (2000) which emphasized on the need to undertake organizational design to support strategy implementation.

Veasey P, (2001) research on use of enterprise architecture in strategy management or implementation was found to be in line with the study. The study included the elements of stake holders, leadership and structure which are a part of enterprise architecture. Vesey pointed out that the term architecture was wide enough to include stakeholders, capabilities, culture, operational processes, structure and technology. The study sought to establish the influence of each of the elements of organizational architecture to the strategy management and implementation. The study established that organization structure played a more important role compared to the other elements of organizational architecture. The study attributed the importance of the structure to its ability to offer required flexibility, design of work structure and systems and determining the level of formalization. Birkinshaw (1995) study on the strategy structure relationship for subsidiaries of multinational companies compares with GDC regional branches adopting structures similar to that of the head office for purpose of uniformity in strategy implementation.

#### **4.7 Chapter Summary**

The chapter dwelt on analysis, results and discussion of the study in relation to the research questions and objectives. The strategy implementation process was found to be a team work involving all the levels of management. Each level of management played a supportive role to the other with the strategy being aimed at helping the organization achieve its objectives and vision. Role of structure in strategy implementation was found to be important because the structure provides the required flexibility in decision making, quick response and creativity. The challenges of strategy implementation were found to include: strategy crafted; cost and risk; structure; resistance; and management support.

Discussion on the findings involved comparative analysis of the study in relation to the theory and other studies. The study was found to compare with the theories especially on resources sourcing and utilization, capability of the organization and stakeholders. Other studies undertaken are supportive to the studies on importance of organizational structure to strategy implementation.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarizes and discusses the findings in relation to the research problem and objectives of the study. It also highlights the limitations of the study and gives suggestions for further research.

#### **5.2 Summary of the Findings**

Strategy implementation phase of the strategy process is a complicated phase that calls for a unison working of all organizational departments and efficiency in organizational systems. Crafting of strategy has largely been described as putting the strategy on paper while implementalization is viewed as operationalizing the crafted strategy. Implementation requires that the organization puts into working all systems and subsystems through unity of direction. Synergy derived through the unified working of the systems is the one which leads to successful implementation of the strategy.

##### **5.2.1 Strategy Implementation Process**

The study has found out that strategy implementation is a process, that calls for team working across the hierarchies with each hierarchy playing a supporting role in addition to its substitutive role. The strategic level plays a critical role of crafting the strategy. A well-crafted is implementable, hence the process of strategy implementation starts with the crafting. A well-crafted strategy has the qualities of; participation by the stakeholders, environmental consideration and structural fitting. The study established that the strategic managers of GDC involves the internal stakeholder or employees and the external stakeholders who included the strategic alliance partners of KENGEN, IPPs, KETRACO, REA and ERC, World Bank, Ministry of Energy, China Development Corporation, ADB and JICA. The strategic level was found to play a critical role of resources mobilization. GDC as a state corporation negotiates its long term and short term finding through the Ministry of Energy, the strategic managers were found to be effective in the negotiation

process because GDC projects were well funded. The managers also developed appropriate strategy structure fit.

Tactical level managers were found to offer championship and leadership by communicating the strategy to the employees in the departments. The implementation was found to have been facilitated by the task structures and workflow that had been designed by the tactical level managers. The managers were found to have offered leadership and continuously monitored the strategy implementation process to ensure compliance to strategy implementation plan. The implementation plan or schedule which was found to have been developed by strategic level management clearly indicated the responsibilities and timelines for the various tactical or department managers in the strategy implementation process.

Operational level managers were found to play a critical role of mobilizing the employees to achieve their daily or weekly targets. The targets were found to be in support of the tactical strategies. The supervisors were also in contact with employees and offered an interface between the management and the employees in the strategy implementation process. The study serves to establish that strategy implementation process cuts across all the departments of the organization. Each department acts in support of the other to produce synergy.

### **5.2.2 Organisational Structure and Strategy**

Organizational structure role in strategy implementation was found to be important. The structure was found to influence organizational response to environmental changes, through its flexibility. GDC organizational structure was found to be organic with flat hierarchy setup, low formalization and horizontal communication. The structure was conducive to strategy implementation because it allowed; quick decision making, strategic response to environmental changes, sharing of knowledge, cross departmental coordination and empowerment of managers.

Flexibility of the structure was also noted to allow working with strategic alliance partners. The flexible work systems of GDC would accommodate the functioning of the other systems of strategic partners leading to timely and successful implementation of organizational strategy. The structure also allowed for joint resource and work planning whereby the strategic partners would adjust their operations to be in line with those of GDC and hence effectiveness in strategy implementation

### **5.2.3 Challenges of Strategy Implementation**

The challenge of strategy implementation at GDC was noted to be largely external. The challenges related to nature of the strategy emanated from the requirements of working with external organizational nodes of strategic alliances and outsourcing. It was noted that GDC factors of information into strategy inputs and thinking of several external organization such as partners in energy sector; KENGEN, KETRACO, REA, IPPs and ERC. The suppliers such as Sandong Kerui Company of China and China Petroleum Technical Drilling Company (CPTDC). Financial challenges were also noted to be externally generated from the development partnership with ADB, AFD, Indian Exim, US Exim and World Bank. The risk component of the challenge emanated from the local communities which hosts the GDC operations especially at the geothermal generation sites at Olkario, Menengai and Baringo.

### **5.3 Conclusions**

It's evident from the research that GDC strategy implementation process used team working that cut across the hierarchies of the organization. Strategic alliances played a critical role in the implementation of GDC strategy as a part of strategic management level initiative. Team working across the hierarchy resulted to unity of direction, harnessing of organizational energy and resources giving rise to synergy, strategic direction that was provided by the Ministry of Energy through the strategic management linked GDC to Vision 2030. The linkage offered GDC national attention as one of the enablers to achieve the national vision. Organizational structure of GDC worked to enable the organizational implement its strategy. The structure was flat organic in nature and provided the required flexibility during strategy implementation. Strategy

implementation process was characterized by several adjustments that were accommodated by the flexible nature of the GDC structure. The structure was also noted to accommodate strategic alliances which were critical to strategy implementation. The challenges to strategy implementation were exogenous to GDC. The internal factors of management support, employee commitment, and team working were noted to be supportive to GDC strategy implementation.

#### **5.4 Implementation on Policy, Theory and Practice and Recommendations**

Vision 2030 has provided a broad framework of the country's development path towards achievement of upper middle class status. Industrialization, agribusiness, improvement of citizens living standards are some of the indicators to the attainment of the Vision. Linking the energy sector to the fulfillment of the vision makes GDC operations and strategies to have policy implications. Electricity and power have been cited in the vision to be enablers towards attainment of the vision. The three categories of power are hydro, geothermal and thermal. Thermal is the most experience as it uses fuel, hydro on the other hand is cheap but is unreliable because its dependent on seasonal rainfall. Geothermal, safe for costly and heavy initial capital investment is the most reliable and cheap. Government has therefore has a policy sought to expand the power national grid through use of geothermal energy. Strategy implementation at GDC therefore has a direct relationship to policy.

The study implicates the theoretical framework of strategy implementation positively. It reinforces the resource dependence theory used in the study. RDP emphasizes on external environment to provide for resources deficiency. The study was shown that GDC has a heavy reliance on external organizational modes in the form of strategy alliances. Resource Based Theory (RBT) was also used in the study. The research determines the organizational structure to be one of the enablers of efficiency in operations as theorized by RBT. GDC by receiving resources from the external environment and selling geothermal power to external environment is an implication of it using the systems theory.

In practice the study brings out contextual strategy implementation which is specific to GDC. However, the information and challenges on strategy implication contained in the study would be applicable to other organizations with modification. Organization in the industry would apply the study to develop appropriate organizational structures and strategic alliances which would be suitable to strategy implementation.

Development of geothermal energy as one of the strategies to achieve vision 2030 put GDC at the central playing position in the energy sector. The company is expected to make geothermal energy to be the main source of energy to spur country's development. GDC should therefore expand its geothermal power generation from the existing three regional sites. High production of geothermal energy would reduce the country's reliance on thermal energy which is always factored into the national grid, whenever there is a shortage of power supply. To expand this capacity, GDC will be required to implement its strategic plans through successful strategy implementation.

Organizational structure of GDC requires to give more autonomy to the regional power general unit. As a production concern, GDC requires to empower the division-structures. Empowered divisional structures would add more efficiency to the geothermal power production. The organization should aspire to increase its self-sufficiency because it has a high reliance on strategic alliances. A training school for geothermal, engineering would create pool of skilled employees and hence reduce the reliance.

GDC should look beyond the Kenya borders. Neighbouring countries of Uganda and South Sudan which are not endowed with tectonic geographic formations would offer a sustainable market for geothermal power. The export of power would call for expansion of geothermal power in the Northern corridor in areas of Turkana and Lokichogio which are closer to Uganda and South Sudan. The Northern ward expansion would be in line with Kenya government of LAPSET project that aims at opening the Northern part of the country.

## **5.5 Limitations of the Study**

The research was a case study that focused on strategy implementation. The Head of divisions and some of who were the key respondents were at times held up by their busy schedules and delegated the task of responding to the question guide to equally able and informed officers. There was however a lot of cautiousness with the new respondents and withholding of information.

The applicability of the study is largely to GDC because it's a case study. Other organizations wishing to use the study may find it not to be exactly applicable to their environments because case studies address particular environment and context which in this study is GDC. The study found it difficult to cross check information with strategic partners especially the Government agencies who are critical to strategy implementation.

## **5.6 Suggestions for Further Research**

A cross sectional survey in the energy sector involving the firms dealing with energy generation i.e. hydro, geothermal and thermal, strategy implementation process, structure-strategy fit and challenges of strategy implementation which are common to the industry. Such a synchronization would bring into tandem a similar organization structure, joint planning, workable strategic alliance that would serve to help the industry.

The role of ERC as a regulator should be researched to determine its value adding process to GDC which is a young corporation with high potential. The organization needs to be accorded free latitude to operate so that it can be creative and innovative in its processes. Currently the organization has to work in line with the policies designed by the Ministry of Energy and enforced by ERC.

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## **APPENDIX I: INTERVIEW GUIDE FOR GDC DIVISION MANAGERS**

**The interview guide will seek to achieve the following objectives.**

- (i) Determine the strategy implementation process by GDC.
- (ii) To determine the role played by organization structure in strategy implementation at GDC
- (iii) To determine the challenges of strategy implementation at GDC

### **SECTION A: DEMOGRAPHIC DATA**

- a) What is your designation at Geothermal Development company?
- b) For how long have you worked at Geothermal Development company?
- c) For how long have you been holding this position?

### **SECTION B: STRATEGY IMPLEMENTATION PROCESS AT GEOTHERMAL DEVELOPMENT COMPANY**

- d) What strategies have been developed at geothermal development company?
- e) How was the strategy developed?
- f) What was the role of strategic level of management in strategy implementation?
- g) What was the role of Tactical level of management in strategy implementation?
- h) What was the role of operational level of management strategy implementation?

### **SECTION C: ORGANISATION STRUCTURE AND IMPLEMENTATION OF STRATEGY AT GEOTHERMAL DEVELOPMENT COMPANY**

- i) Does the flexibility of the organization structure influence strategy implementation at geothermal development company?
- j) Do hierarchies in the organization influence implementation of strategy?
- k) Do work teams influence strategy implementation in the organization?
- l) Does communication between the departments influence implementation of strategy?
- m) Does the decision making process at either the department or top management influence strategy implementation?

- n) Does presence many rules and procedures influence strategy implementation and geothermal development company?

**SECTION D – CHALLENGES OF STRATEGY IMPLEMENTATION AT GDC**

- o) How does the nature of the strategy affect its implementation at GDC?
- p) Is the organization structure a challenge to strategy implementation at GDC?
- q) Does cost and risk pose a challenge to strategy implementation at GDC?
- r) Do employees of GDC support strategy implementation?
- s) Is the management of GDC supportive to strategy implementation?