APPLICATION OF THE MCKINSEY 7S MODEL IN STRATEGY IMPLEMENTATION AT THE KENYA REVENUE AUTHORITY

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, THE UNIVERSITY OF NAIROBI.

NOVEMBER, 2015.

DECLARATION

STUDENT

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

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SUPERVISOR

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

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ACKNOWLEDGEMENT

I thank God for giving me this opportunity and His graces that have been consistent in this journey. I also want to thank my family Mr. and Mrs. Maru, Ann, Elsie, Moses and Faith who have been a great source of inspiration and encouragement throughout my pursuit for higher education. May God bless you all richly.

This work could not have been a reality without the scholarly assistance, guidance, patience and self sacrifice by my supervisor, Mr. Jeremiah Kagwe. I am thankful for his encouragement and prompt feedback that contributed to the success of this study.

DEDICATION

I dedicate this research project to my dear parents Mr. Paul Maru and Mrs. Lucy Maru who have sacrificed their lives to provide an education for their family. May God bless them richly for their efforts and encouragement.

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ABSTRACT

Successful strategy implementation depends on doing a good job of working with and through others, building and strengthening competitive capabilities, motivating and rewarding people in a strategy supportive manner and instilling the discipline of getting things done. The study sought to establish the application of the McKinsey 7S model in the process of strategy implementation by making use of the internal resources to create a sustainable competitive environment to enable the organization to achieve its intended revenue and policy targets. The study design was a case study aimed at getting detailed information regarding the process of application of each of the seven elements of the McKinsey 7S model in strategy implementation at the Kenya Revenue Authority. Primary data was collected from six interviewees who are managers and assistant managers at KRA by use of interview guides. The completed interview guides were edited for completeness and consistency before processing the responses. Being a case study, content analysis was most useful to interpret the data. The findings of the study indicate that the McKinsey 7S model has been a useful tool for bringing the attainment of the vision of KRA. This is explained by the ability of this tool to bring consensus around the vision and therefore chart the way for successful strategy implementation. The McKinsey model has enabled KRA to harmonize its internal elements to achieve its intended targets. The elements are however applied in varying degrees at the authority to be able to complement each other. The study recommends that KRA engages in a continuous process of harmonizing its internal environment so as to be able to respond effectively to the ever dynamic tax environment in Kenya. It also recommends the empowerment of staff so that they clearly understand their individual role in the implementation process. Some of the limitations of the study include difficulty to get the full information as required due to limited amount of time for the interviews and the secrecy of interviewees.

CHAPTER ONE

INTRODUCTION

1.1 Background

Strategy implementation involves working with people and the structure of the organization to make the visionary ideas developed earlier come true (Manage, 2007). Pearce and Robinson (2007) observe that the objective of the strategic management process pertains to the formulation and implementation of strategies which result in the long term achievement of the company's mission. David (1997) defines strategy implementation as a stage of strategic management that involves the use of organizational tools as well as direct resources towards achieving strategic outcomes. Successful strategy implementation involves: clarifying the strategy by breaking it down into goals and objectives, communicating the strategy to people at all levels of the organization and cascading strategy to the practical and tactical components of people's jobs (John, 2005). Effective strategy implementation using the above process can be a source of competitive advantage.

The McKinsey 7S model can be explained using the resource-based view theory of the firm and strategy (Kraaijenbrink, Spencer and Groen, 2010). The central proposition of this theory is that if a firm is to achieve a state of sustained competitive advantage it must acquire and control valuable, rare, inimitable, and non-substitutable resources and capabilities (Barney, 1991). The principles of the resource-based view theory are: that the building blocks of strategy are business processes; the transformation of processes into valuable strategic capabilities is a key to success; capabilities are created by making strategic investments and the manager must be responsible, because competing on capabilities involves cross-functionality. The open system theory explains how the organization depends on its environment for input and transforms these inputs into an output (Barney, 1991). The elements in the organization are what is used to control the transformation process to ensure success.

The Kenya Revenue Authority is a state corporation charged with a responsibility to collect revenue on behalf of the government of Kenya. As such, it has put in place strategies to ensure it meets the targets set for it by the Treasury with regards to the budget of each year (The Kenya Revenue Authority Fifth Corporate Plan, 2013). Success of the strategies outlined is only possible if the authority embarks on a strategy implementation process that makes use of its internal resources so as to achieve this. The seven elements of the McKinsey 7S model can be used by KRA to create a long-term sustainable competitive advantage to be able to collect revenue that assists the Kenyan government to fulfill its Millennium Development Goals.

1.1.1 The Concept of Strategy

A strategy refers to a method or plan chosen to bring about a desired future (Pearce and Robinson, 2007). Johnson, Scholes, and Whittington (2005) describe strategy as the direction and scope of an organization over the long term, which achieves advantages in an ever changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations. Strategy which is a fundamental management tool in any organization is a multi-dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish.

For a firm to survive and prosper a strategy is important. Strategy helps a firm create a fit between the organization and its environment in an effort to enable the organization adapt to its turbulent environment. How the strategy is planned formulated and implemented is therefore important. Strategy formulation and implementation is a continuous and systematic process for making decisions about the organization future, developing the necessary procedures and operations to achieve that future and determine how success is to be measured (Simiyu, 2013). It is a systematic process through which an organization argues on and builds on commitment among stakeholders to priorities which are essential to its vision and mission and to be responsive to the ever-changing operating environment (Barney, 1991).

1.1.2 Strategy Implementation

Karami (2005) defines strategy implementation as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. On the other hand, strategy implementation is defined as the process that turns strategies and plans into actions in order to accomplish strategic objectives (John, 2005). According to Kaplan (2005) the concept of successful strategy implementation requires the input and cooperation of all players in the company. Pearce and Robinson (2007) describe five critical variables that are usually considered for the successful implementation of strategy. These are: tasks, people, structures, technologies, and reward systems. Successful strategy implementation calls for effective design and management in order for these factors to be integrated.

Johnson, Scholes and Whittington (2005) define strategy implementation as a process revolving around ensuring that strategies are working in practice. It involves various activities including structuring an organization to achieve successful performance, enabling success through the way in which the separate resources of people, information, finance and technology support strategy and manage change. Whereas enabling success is important, the extent to which new strategies are built on and given resources is also crucial. To effectively manage change, there will be need to understand how the context of an organization should influence the approach to change, different roles of people managing change, styles that can be adopted to manage change and the levers by which change can be effected.

To operationalize strategy, an organization needs to identify short term objectives, initiate specific functional tactics, and communicate policies that empower people in the organization and design effective rewards (Pearce and Robinson, 2007). Short term objectives are necessary for translating long range plans into yearly targets. Functional tactics on the other hand translate business strategy into daily activities for people to execute. Policies are empowerment tools that simplify decision making by empowering operating managers and their subordinates. Effective rewards for the desired action and results are a powerful way of getting things done in an organization. To realize strategy, people in the organization that actually do the work of the business need guidance on exactly what needs to be done today and tomorrow to make the strategies realistic. This is achieved by action plans and short term objectives, providing much more specific guidance for what is to be done, and a clear delineation of impending actions needed, which translate vision into action (Pearce and Robinson, 2007). Another important aspect to be considered is who is responsible for each action in the plan. Accountability is necessary in order to ensure that plans are acted upon (Pearce and Robinson, 2007).

1.1.3 The McKinsey 7S Model

Manage (2007) defines the McKinsey 7S model as a model of organizational effectiveness used in organizations to analyze the environment to investigate if it is achieving its intended objectives. The McKinsey 7S model is a holistic approach to company organization, which collectively determines how the company will operate (Karami, 2005). The McKinsey 7S Model was created by Tom Peters and Robert Waterman while they were working for McKinsey & Company and by Richard Pascale and Anthony Athos at a meeting in 1978 (Peters and Waterman, 1982). They had been looking at how the Japanese industry had been so successful, at around the same time that

Peters and Waterman were exploring what made a company excellent. The Seven S model was born at a meeting of the four authors in 1978. It went on to appear in "In Search of Excellence" by Peters and Waterman, and was taken up as a basic tool by the management consultancy McKinsey (Manage, 2007).

According to the model, managers, need to take account of seven basic factors to be sure of successful implementation of a strategy. These include strategy, structure, systems, style, staff, shared values, and skills. These factors are all interdependent, thus failure to pay proper attention to one, marks the beginning of failure (Peters and Waterman, 1982). The 7-S model posits that organizations are successful when they achieve an integrated harmony of all these factors (Barney, 1991). The hard components are normally feasible and easy to identify in an organization as they are normally well documented and seen in the form of tangible objects or reports such as strategy statements, corporate plans, organizational charts and other documents. The remaining four Ss are more difficult to comprehend (Dunphy and Stace, 1988).

Strategy is the plan of action an organization prepares in response to changes in its external environment. Strategy is differentiated by tactics or operational actions by its nature of being premeditated, well thought through and often practically rehearsed (Kaplan, 2005). It deals with essentially three questions, where the organization is at this moment in time, where the organization wants to be in a particular length of time and how to get there. Thus, strategy is designed to transform the firm from the present position to the new position described by objectives, subject to constraints of the capabilities or the potential (Kaplan, 2005).

Structure refers to the way in which tasks and people are specialized and divided, and authority is distributed; how activities and reporting relationships are grouped; the mechanisms by which activities in the organization are coordinated (Kaplan, 2005). Organizations are structured in a variety of ways, dependent on their objectives and culture. The structure of the company often dictates the way it operates and performs (Peters and Waterman, 1982). Traditionally, businesses have been structured in a hierarchical way with several divisions and departments, each responsible for a specific task. Although this is still the most widely used organizational structure, the recent trend is increasingly towards a flat structure where the work is done in teams of specialists rather than fixed departments. The idea is to make the organization more flexible and devolve the power to employees by eliminating the middle management layers (Manage, 2007).

Systems refer to the formal and informal procedures used to manage the organization, including management control systems, performance measurement and reward systems, planning, budgeting and resource allocation systems, and management information systems (Kaplan, 2005). Every organization has some systems or internal processes to support and implement the strategy and run day-to-day affairs. These processes are normally strictly followed and are designed to achieve maximum effectiveness.

Traditionally, organizations have been following a bureaucratic-style process model where most decisions are taken at the higher management level. Increasingly, organizations are simplifying and modernizing their processes by innovation and use of new organizational structure to make the decision making process quicker. Special emphasis is on the customers with the intention to make the processes user friendly (Manage, 2007).

Staff refers to the people, their competencies; how the organization recruits, selects, trains, manages the careers, and promotes them (Kaplan, 2005). Organizations are made up of humans and it's the people who make the real difference to the success of the organization in the increasingly knowledge-based society. The importance of human resources has thus got the central position in the strategy of the organization. All leading organizations such as IBM, Microsoft and Cisco put extraordinary emphasis on hiring the best staff, providing them with rigorous training and mentoring support, and pushing them to achieve professional excellence (Karami, 2005). It is also important for the organization to instill confidence among the employees about their future career growth. Skills refer to the distinctive competencies; what it does best along dimensions such as people, management practices, processes, systems and customer relationships (Kaplan, 2005).

Style refers to the leadership style of managers; how they spend their time; what they focus attention on; how they make decisions; also the organizational culture, that is, the dominant values and beliefs, the norms, the conscious and unconscious symbolic acts taken by leaders (Kaplan, 2005). All organizations have their own distinct culture and management style. It includes the dominant values, beliefs, and norms which develop over time and become relatively enduring features of the organizational life. It also entails the way managers interact with the employees and the way they spend their time. Businesses have traditionally been influenced by the military style of management with strict adherence to the upper management and procedure expected from the lower-rank employees. However, there have been extensive efforts to change the culture to a more open, innovative and friendly environment with fewer hierarchies and smaller chains of command (Dunphy and Stace, 1988).

Lastly, Kaplan (2005) defines shared values as the core or fundamental set of values that are widely shared in the organization and serve as guiding principles of what is important; vision, mission, and values statements that provide a broad sense of purpose for all employees. All members of the organization share some common fundamental ideas or guiding concepts around which the business is built. This may be to make money or to achieve excellence in a particular field. These values and common goals keep the employees working towards a common destination as a coherent team and are important to keep the team spirit alive. The organizations with weak values and common goals often find their employees following their own personal goals that may be different or even in conflict with those of the organization or their fellow colleagues (Peters and Waterman, 1982).

1.1.4 Kenya’s Public Sector

The public sector is charged with the responsibility of offering effective and efficient service to the public of any given country (Hussein, 2014). Many public sector organizations have been engaging in activities that will improve their service delivery to their clients. Kenya's current development agenda is guided by Vision 2030, which is the official government long-term development strategy (Kandie, 2001). The vision is anchored on the key pillars namely; economic, social, and political and aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all citizens in clean and secure environment (KRA’s Third Corporate Plan 2006/7-2008/9). Simultaneously the vision aspires to meet the millennium development goals for Kenyans by 2015.

The public sector in Kenya is faced with the challenge of poor and declining performance, which inhibits realization of sustainable economic growth (Kandie, 2001). The Public sector has consistently fallen below expectations due to: excessive regulations and controls; frequent political interference; poor leadership; outright mismanagement; bloated staff establishments; multiplicity of principals and non-performing employees (Hussein, 2014). Kenya’s Vision 2030 calls for a results-oriented public sector to enable achievement of the milestones that were set. These results can only be achieved if the public sector adopts smart strategies and sets out proper strategy implementation processes. These processes must make use of the resources the country holds so as to unlock its future.

1.1.5 Kenya Revenue Authority (K.R.A)

The Kenya Revenue Authority (KRA) is a state corporation established by an act of Parliament of July 1st, 1995, Cap 469 as a central body. It has emerged as one of the leading public bodies in terms of achieving its core objectives (KRA's 2005/2006 Annual Action Plan). The authority is made up of two keys departments namely the Domestic Taxes Department and the Customs Services Department (KRA's Third Corporate Plan 2006/7-2008/9). The Domestic Taxes Department comprises of Income Tax, Value Added Tax and Medium Taxpayers Office. Income tax is a direct tax that is imposed on income derived from business, employment, rent, dividends, interests, and pensions. Value Added Tax (VAT) is levied on consumption of taxable goods and services (VAT Act 2013).

The Medium Taxpayers Office (MTO) commenced its operations on 1st November 2010 (KRA's Third Corporate Plan 2006/7-2008/9. The MTO's key objective is to improve effectiveness of medium taxpayers' administration and to minimize compliance costs to both taxpayers and KRA, through provision of consistent quality services to medium taxpayers. The Customs Services Department was established by an Act of Parliament in 1978 (The Kenya Revenue Authority Fifth Corporate Plan, 2013). The primary function of the Customs Services Department is to collect and account for import duty and VAT on imports. The Department is headed by the Commissioner of Customs Services Department.

KRA has faced several challenges from political, technological and social factors. These include the ever widening informal sector and technological advancement. Other challenges of economic integration and regional trading blocs have also contributed to erosion of the tax base. KRA contributes towards the Vision 2030's economic pillar by contributing over 93% of total government revenue (KRA's Third Corporate Plan 2006/7-2008/9). The funds collected are used to run the economy, providing the Kenyan public with goods and services throughout the country (KRA's 2005/2006 Annual Action Plan). This study focused on how KRA makes use of the McKinsey 7S model to implement its strategies so as to meet the revenue collection targets as taxpayers continued to demand value for money (KRA's Third Corporate Plan 2006/7-2008/9).

1.2 Research Problem

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve intended objectives (Kahihu, 2005). Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and, doubtlessly, the survival of the firm is the successful implementation of marketing strategies. The McKinsey 7S model achieves successful strategy implementation by basing the implementation process on the guidance of the top management (Dunphy and Stace, 1988).

KRA as a leading public body has adopted various strategies to enable it reach its collection targets. Adoption of strategy is only the start of the strategy management process with implementation being a crucial and difficult part of the process. KRA has set out to implement its Reform and Modernization Programme (The Kenya Revenue Authority Fifth Corporate Plan, 2013) to ensure it achieves its vision. This study focused on how the McKinsey 7S model has been applied in the authority so as to ensure a successful strategy implementation process.

A number of scholars have researched on the subject of the use of the McKinsey 7S model as a tool in the strategy implementation process. Burney (1991) discussed the use of McKinsey model in implementation of strategies for expansion in global banking. David (1997) researched on the application of the model for success at the workplace. Dunphy and Stace (1988) discussed strategy implementation for change management using the McKinsey model. Kepha (2013), Tesot (2012) and Simiyu (2013) discussed the 7S model as a tool for successful implementation of strategy. Locally, a considerable number of studies have been done on the public sector. A study by Kandie (2001) concludes that whereas Telkom Kenya Limited realized the need to change their strategy due to change in the environment, they lacked finances and managerial empowerment. Another study by Chelimo (2010) on the National Social Security Fund concluded that strategic audits should be an integral part of the organizational structure in measuring performance. Ofunya (2013) while studying the Kenya Post Office Savings Bank concluded that there was a significant relationship between strategies and performance.
Implementation of strategy being a crucial part for the success of an organization, it must seek proper management tools for this process. The McKinsey 7S model is an important

tool that enables success by incorporating all elements of the organization. KRA has adopted this tool so as to make use of its internal elements to achieve its goals. To the researcher's knowledge, no known study has been conducted on the use of the McKinsey 7S model as a tool in the strategy implementation process at KRA. This study therefore sought to fill that knowledge gap by seeking an answer to the following question. How does KRA make use of the McKinsey 7S model in its strategy implementation process?

1.3 Research Objective

The objective of the study was to determine how the McKinsey 7S model is applied in strategy implementation at the Kenya Revenue Authority.

1.4 Value of the Study

This study was aimed at increasing the existing body of knowledge on the concept of the McKinsey 7S model and its application in strategy implementation. It explains how an organization can harmonize its internal elements so as to achieve a sustainable competitive advantage in strategy implementation. Scholars, academicians, and researchers can therefore use this study as a reference point in examining strategy implementation.

This study will be instrumental to policy makers especially those in the public sector as it will serve as a blue print for the best practices of implementation of strategy using the McKinsey 7S model. It is common for the public sector to craft strategies that look good on paper but are never actualized. This has led to public outcry over undelivered services. This study has shed light on available avenues for bringing strategy into fruition to improve policy making.

To the authority and other organizations, the study will help indicate any areas that may require improvement in the process of applying the McKinsey 7S model in the strategy implementation process. KRA may consider the recommendations that have been made to enable it determine what corrective measures should be taken to realign its internal elements for better performance. Realignment will call for a total harmony of all the seven elements within the organization.

1.5 Summary

This chapter presents the concepts of strategy implementation and the McKinsey 7S model with the model being used as a tool of strategy implementation so as to simplify the process and ensure effectiveness of all the internal elements of the organization. It also proposes three theories that can be used as a basis of explaining the McKinsey 7S model. These theories are: resource-based view theory, open system theory and dynamic capabilities theory.

It looks at the public sector which the Kenya Revenue Authority is a part of and its role in delivery of services to the public as well as contribution to Kenya's Vision 2030. After looking at studies done by other scholars on the McKinsey 7S model and at Kenya's public sector, this study seeks to fill a research gap existing by determining how the Kenya Revenue Authority applies the McKinsey 7S model in strategy implementation. The study will be important to build the literature on the concepts of strategy implementation and McKinsey 7S model, it will assist policy makers in enhancing their decision making process and will also be used by public sector bodies to improve their strategy implementation process.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical foundation that explains the use of the McKinsey 7S model as a tool for strategy implementation. It also covers the application of the McKinsey 7S Model in the strategy implementation process of the organization as well as the summary of knowledge gaps.

2.2 Theoretical Foundation

The application of the McKinsey 7S model in strategy implementation can be explained using the resource-based view theory of the firm and strategy. According to Rapert, Lynch and Suter (1996) the resource based view theory outlines that the competitive advantage of an organization lays primarily with the application of the organizations resources. RBV holds that sustained competitive advantage can be achieved more easily by exploiting internal rather than external factors. Kraaijenbrink, Spencer and Groen (2010) describe the resource-based view theory as stemming from the principle that the source of firms’ competitive advantage lies in their internal resources, as opposed to their positioning in the external environment.

That is, rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses. The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Tesot, 2012). These resources must be identified with key potentials, that is, valuable, rare, inimitable, and non-substitutable without great effort. Barney (1991) explains that resources are valuable if they help organizations to increase the value offered to the customers. This is done by increasing differentiation and decreasing the costs of the production (Rapert, Lynch and Suter, 1996). Resources that can only be acquired by one or few companies are considered rare. A company that has valuable and rare resource can achieve at least temporary competitive advantage (Porter, 1985).

However, the resource must also be costly to imitate or to substitute for a rival. The resource itself does not confer any advantage for a company if it’s not organized to capture value (Barney, 1991). Only the firm that is capable to exploit the valuable, rare and inimitable resources can achieve sustained competitive advantage. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. If these conditions hold, the firm’s bundle of resources can assist the firm to sustain above average returns (Porter, 1985).

The open system theory is another theory that can be used to explain the use of the McKinsey 7S model in strategy implementation. Biologist Ludwig von Bertanlanffy developed open system theory between 1930 and 1956 (Barney, 1991). By the early

1960s, theoretical psychologists applied the theory to organizational structures such as governments, universities and businesses. Any time an individual organization uses resources from its environment in its production; its system is open to outside forces. When a business regularly interacts with its environment, and exchanges and processes feedback, it is an open system organizational structure. Open systems have porous boundaries that allow feedback exchanges from inside and outside the business (Porter, 1985).

The controllers of open systems pay attention to their external environment, internal environment and customer needs and reactions. Open systems tend to devise more than one way to accomplish goals with different conditions and operations. This is what is referred to as equi-finality (David, 1997). This is in direct contrast to closed systems that function under the assumption that there is only one way to achieve a result. The open system organizational structure promotes effective strategy implementation through clarifying the big picture. The elements of the McKinsey 7S model of style and shared values enable continuous feedback and response resulting in better understanding, by leadership and management, of the organization’s structure within the environment and the interactive dynamics between them. That opens the door for better communication which will result in successful strategy implementation.

Dynamic capabilities theory also provides a basis for the application of the McKinsey 7S model in strategy implementation. The basic assumption of the dynamic capabilities framework is that core competencies should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage (David, 1997). In organizational theory, dynamic capability is the capability of an organization to adapt adequately to changes that can have an impact on its functioning (Barney, 1991).

The dynamic capabilities theory focuses on the issue of competitive survival (Kahihu, 2005). This theory explains how senior managers of successful companies can change their existing mental models and paradigms to adapt to radical discontinuous change in their environment. This is made possible through the organization’s ability to orchestrate and reconfigure externally sourced competencies (Ofunya, 2013). This therefore enables the organization to maintain threshold capability standards and hence ensure competitive survival. The McKinsey 7S model elements’ can be exploited by the organization to create short-term competitive positions (Manage, 2007). Elements such as skills, staff, structure and systems can be used to respond quickly to changes in the environment. These changes will result in competitive survival and will be used to build on the long-term competitive advantage ensuring a successful strategy implementation process.

2.3 Application of the McKinsey 7S Model in Strategy Implementation

The strategy implementation process can be clearly outlined using five phases (Pearce and Robinson, 2007). The first phase is the alignment of initiatives. A new strategy in an organization must be supported by new priorities and activities to support its successful implementation. All initiatives must be therefore measured and analyzed against their strategic value and impact to the organization. The next phase is the alignment of budgets and performance (David, 1997). All departments within the firm must allocate and manage their budgets to deliver the strategic initiative. Organizational performance should be closely aligned to strategy.

The third phase of strategy implementation is harmonization of structure and strategy. A transformational strategy will require transformation to the firm's structure. The structure of the firm should allow strategy to cascade across and down the firm so as to efficiently deliver the strategy (Karami, 2005). The next phase is the engagement of staff so that they can get behind it for successful strategy implementation. The final phase of strategy implementation is monitoring and adaptation. Since change is a constant in all businesses, strategies must be adaptable and flexible. Strategies must be reviewed regularly to assess priorities, actions and performance (Pearce and Robinson, 2007).

McKinsey 7s model is a tool that can be used to understand the strategy implementation process (Simiyu, 2013). Strategy refers to actions taken by an enterprise, in response to changes in the external environment, intended to achieve competitive advantage (Karami, 2005). The alignment of the initiatives will be translated into strategies that will guide the organization towards its purpose. The strategies must also include performance and budget goals so that performance is delivered within the established budgets.

Structure refers to distribution of authority and reporting relationships within the organization (Karami, 2005). The organization must put in place proper structures that will support the strategies that are developed. The second phase of implementation is the alignment of budgets and performance. Structures must exist to support how resources are allocated to each performance target. Structures are also necessary to enable monitoring of the implementation process. This last phase of the implementation process helps ensure the firm is working towards the right goals.

Systems are the formal and informal procedures used to manage the organization (Karami, 2005). This element supports the third phase of the strategy implementation process. Systems must exist in the firm so as to harmonize the strategies and structures. This harmonization enables faster adoption of the new changes in the environment and the building of milestones into the implementation process. John (2005) defines skills as distinctive competencies of the organization. Elsewhere, Drucker (2007) suggests that skills are necessary for the fourth phase of the strategy implementation process. Engagement of staff in the implementation process is only possible if they possess the necessary skills to be able to understand the strategy and communicate to management what changes are necessary and how these changes can be adopted faster.

Style refers to the leadership style of managers, what they focus attention on, what questions they ask of employees, and how they make decisions (John, 2005). The strategy implementation phases of harmonization of structure and strategy and engagement of staff heavily rely on the leadership style in the organization. A participative leadership style is best suited to support alignment of strategies and the organization structure. The leadership must be also committed to fully inform the staff and get them behind the goals set so as to implement strategy successfully (Dunphy and Stace, 1988).Staff refers to the people within the organization (Drucker, 2007). This element of the McKinsey model relates to the engagement of staff phase of the strategy implementation process. The staff must be engaged in delivery of the intended strategy and must be empowered to act on the targets of the firm. They must also have a positive attitude so as to assist in the monitoring of the progress of the strategy implementation process and be trusted to make the necessary adjustments.

Shared values refer to the fundamental set of values that are widely shared in the organization (Karami, 2005). They serve as guiding principles of what is important and provide a broad sense of purpose for all employees. This element encompasses the whole strategy implementation process from the alignment of initiatives so as to formulate strategies to the alignment of budgets with the expected performance. Shared values enable a proper harmonization of strategies and structure so as to offer necessary support (Peters and Waterman, 1982).

According to Peters and Waterman (1982), the model is operationalized by first identifying the areas that are not effectively aligned. The second step involves a determination of the most effective organizational design the organization wants to achieve. The third step is basically the action plan, which will detail the areas that need to be realigned and how it should be done. Dunphy and Stace (1988) observe that if the firm's structure and management style are not aligned with company's values, the firm should reorganize the reporting relationships and influence a change in management style. Finally, there should be a continuous review of the seven elements. A change in one element always has effects on the other elements and requires implementing new organizational design (Peters and Waterman, 1982).

2.4 Summary of Knowledge Gaps

Several researchers have made use of the McKinsey 7S model to explain various processes in the organization that affect implementation of strategy. An empirical review of these studies is discussed in the table below to show how each author views the seven elements and their interaction within the organization. This interaction if successfully managed is responsible for improved performance as well as successful strategy implementation.

Table 1: Summary of knowledge gaps

Study	Focus	Methodology	Findings	Knowledge Gap
Simiyu (2013)	A study to investigate challenges affecting strategy implementation in government corporations.	The researcher adopted a case study design and analyzed the data statistically using SPSS.	Top management involvement in the harmonization of the seven elements of the organization determines success of strategy implementation.	Interrelationship between the hard and soft elements in a holistic organization to support successful strategy implementation.
Kepha (2013)	A study of challenges affecting implementation of corporate strategies in the electricity sector in Kenya.	A case study design was used in Kengen and descriptive analysis of data collected using structured questionnaires.	Organization culture has the single most influence on strategy implementation.	The role played by all other internal elements of the organization.
David (1997)	The application of the McKinsey 7S model for success at the workplace.	The researcher used a case study design at Sunesys and used questionnaires for data collection.	The organization tended to emphasize more on the hard elements to achieve success.	Effect of emphasis on some elements without a holistic view of the entire organization.
Burney (1991)	The use of the McKinsey 7S model in implementation of strategies for expansion in global banking.	Using a sample of 17 banks, the researcher interviewed management level staff using a qualitative interview guide	Internal capabilities of the organization are crucial to enter new markets.	Importance of alignment of the internal capabilities to support implementation of strategies eg. Expansion.

Table 1 continues from page 25

Dunphy and Stace (1988)	Strategy implementation for change management using the McKinsey model.	A sample of 7 medium enterprises were interviewed using qualitative interview guides.	The soft elements of the McKinsey model were important in maintaining changes.	The need for focus on hard elements to enable successful change management practices.

Source: Simiyu (2013), Kepha (2013), David (1997), Burney (1991) and Dunphy and Stace (1988).

2.5 Summary of Literature Review

This chapter focuses on three theories explaining the McKinsey 7S model. The resource based view that deals with exploiting internal resources to create a competitive advantage; the open system theory that makes use of internal resources to manage a successful transformation process; and the dynamic capabilities theory that uses internal elements to build long term competitive advantage.

It also looks at the strategy implementation process from goal setting, alignment and harmonization of strategy and structure, engagement of staff and monitoring the results of the implementation process. This chapter has also looked at how each of the elements of the McKinsey 7S model are used in the strategy implementation process. Studies that have been done by other scholars on the application of the McKinsey 7S model in strategy implementation are presented and the research gap existing is also pointed out. These research gaps are what this study aims to fill.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methods that were used in this study to collect the data and analyze the data. It discusses the methods adopted for research design, data collection and data analysis.

3.2 Research Design

This study adopted a case study design. Case study is a form of qualitative analysis where a study is done on one organization and it gives detailed investigation of a single subject (Kothari, 2004). Case study research design consists of a detailed investigation with the aim being to provide an analysis of the context and processes which illuminate the theoretical issues being studied (Nachamias and Nachamias, 1996). A case study was therefore the most appropriate research design in this study because it provided a clear and accurate focus of KRA and in depth understanding of how the organization is making use of the McKinsey 7S model in its strategy implementation process.

3.3 Data Collection

The study used both primary and secondary data. Primary data was collected through in-depth personal interviews administered through an open-ended interview guide (appendix) of KRA staff. The open-ended questions were useful in enabling the researcher to collect qualitative data in order to gain a better understanding and possibly enable a better and more insightful interpretation of results from the study. Kothari (2004) points out that open ended questions allow the respondents to include more information, including feelings, attitudes, and understanding of the issues. The interview guide assisted in the collection of the qualitative data focusing on the use of the 7S model in strategy implementation within the KRA.

Primary data collection made use of the triangulation concept. Triangulation is a way of assuring the validity of research through the use of a variety of methods to collect data on the same topic. However, the purpose of triangulation is not necessarily to cross-validate data but rather to capture different dimensions of the same phenomenon. The interviewees included three managers and three assistant managers. These were drawn from different positions in different programs within Kenya Revenue Authority.

They are involved hands-on in the implementation of strategies that have been developed by the board of governors and the commissioner general. They were therefore a suitable source of information on how the seven elements of the McKinsey 7S model are applied in strategy implementation at KRA. Secondary data sources were also used to provide additional information. These were obtained from already documented materials such as in-house publications, in-house training materials and periodic performance reviews.

3.4 Data Analysis

The completed interview guides were edited for completeness and consistency before processing the responses. Being a case study, content analysis is the most useful method of data analysis. Nachamias and Nachamias (1996) described it as a technique used to make inferences by systematically and objectively identifying specific characteristics and messages. This method involved analyzing the qualitative data that was collected from the interviews. The technique made use of a set of categorizations for making valid inferences from data to their context.

Content analysis is an overall approach, a method and an analytic tool that entails the systematic examination of forms of communication to document patterns objectively. It is generally applied to narrative texts and seeks to determine, through close examination of the language of those texts about the respondents understanding of phenomena and terminology, as well as their beliefs. In using content analysis as a method, the objective was to get at aspects of meaning by examining the data qualitatively. In effect the method was used to examine how respondents view and understand certain issues.

3.5 Summary of Research Methodology

This chapter has looked at the research design for the study which adopted case study design. The study is focusing on only one organization which is Kenya Revenue Authority and therefore this qualitative analysis tool is the best for investigating the study in a detailed format and to look at the authority with a deep and accurate focus. It has also presented data collection methods as both primary and secondary methods.Data collection has applied the triangulation concept. This assures the validity of the research by capturing several dimensions of the same phenomenon. This was made possible by collecting data from six respondents in different capacities and different programs within KRA. The data analysis method presented by this chapter was content analysis that analyzes qualitative data which has been collected by use of a detailed interview guide.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results are presented on application of the McKinsey 7S model in strategy implementation at Kenya Revenue Authority. The data was gathered from interview guides as well as secondary data from the authority's publications as the research instruments and analyzed through content analysis. Data was collected from the three managers and three assistant managers projected in the previous chapter which makes a response rate of 100%.

4.2 Study Findings

The study, in an effort to establish the interviewees' department within KRA asked questions on the department the interviewees were working in the organization. According to the interviewees' response, they were from various departments which included; Policy Unit Technical, Tax Payer Services, Compliance, Audit and Customer Services Department. All of these fall under the authority's two key departments namely the Domestic Taxes Department and the Customs Services Department. The interviewees were of various designations which included; Station Manager, Managers and Assistant managers.

In an effort to establish the interviewees' competence and conversance with matters regarding KRA, the study asked questions on the total work experience in years of the interviewees. According to the interviewees' responses, all of them had worked for the organization for at least twelve years with most promotions being internal within the organization. The interviewees' therefore had the advantage of being involved in the process of strategy implementation as well as a clear understanding of how each of the seven elements of the McKinsey 7S model are executed in the strategy implementation process.

4.3 The McKinsey 7S Model in Strategy Implementation at Kenya Revenue Authority

The respondents all agreed that the seven elements of the McKinsey 7S model existed within KRA and are used in the strategy implementation process. The interviewees were asked about the structures that exist in KRA to support strategy implementation. Interviewees indicated that the organization is structured into five regions namely: Rift Valley Region, Western Region, Southern Region, Northern Region and Central Region with each region being headed by regional managers. The organization has also been divided into departments with each having a specified role in all the five regions. These departments are: Customs Services Department, Domestic Taxes Department, Large Taxpayers Office, Road Transport Department, Support Services Department and Investigations & Enforcement Department and each department is headed by a commissioner.

83% of the interviewees agreed that organizational structure assists in strategy implementation because strategy helps a company define and build its organizational structure. They argued that structure defines how all the pieces and parts work together to ensure implementation is successful because it defines the people and positions necessary to implement the mission and goals of the organization. Structures allow for allocation of responsibilities for optimal results, creation of divisions, and decisions on whether individual efforts or group participation is the best method for it to successfully implement its strategies. This therefore means that the implementation process is supported heavily by the organization structure and any change in either should be followed by corresponding change in the other for the success of the implementation process.

The interviewees were asked about the systems that assist in strategy implementation at KRA. The researcher identified two key systems in Kenya Revenue Authority. Domestic Services Department is supported by the iTax system which is a web-based system developed to simplify revenue collection by allowing taxpayers to simply update their tax registration details, file tax returns, register tax payments and make status enquiries with real-time monitoring of their ledgers/accounts. The Customs Services Department has the Single Customs Territory which simplifies and automates customs procedures by easing of clearance of imports and exports, allowing pre-lodging of customs documents, obtaining approvals and streamlining processes such as refund claims.

All of the interviewees cited the systems present in KRA as the supporting block for the implementation process within the authority. The systems are seen to modernize and improve efficiency of tasks within the organization while taking KRA's agenda to the taxpayers' doorstep by use of automation. This has been essential to enable KRA to collect revenue as well as resolve taxpayers' issues swiftly. With increased revenue targets every year, the two systems have enabled the authority to successfully implement strategies set out to collect the revenue as well as interlink with other government agencies to assist in reaching all taxpayers in a bid to ensure compliance.

The interview sought to know the type of skills possessed by KRA employees. The interviewees identified certain skills that are considered most essential to perform at KRA. These include: technical skills, teamwork, communication skills, negotiation and problem-solving skills. Upper levels of management require pro-active individuals, wide experience and the ability to lead. The type of skills possessed by individuals at KRA are seen to determine success of strategies by enabling adaption of new situations and enhancing learning of new processes. A successful strategy implementation process allows goals to be split into individual tasks for all members of the team. Individuals are therefore able to exercise their skills to accomplish their tasks so as to participate in the strategy implementation process.

In response to the question of how KRA invests in its employees' skills, the respondents said that the organization involves its employees in trainings, development opportunities such as seminars with stakeholders as well as financing and support of employees engaged in further education. The purpose of investing in employees' skills is to improve the knowledge and performance of people which will in turn enable the organization to realize the benefits of efficient personnel to partake in the successful implementation of strategies as stated by 67% of the respondents.

All of the interviewees stated that they are situational leaders when asked to describe their leadership style in reference to work and people. Their description as situational leaders is from the fact that they understand the current work related issues and take the best possible measures to solve the problem. They argued that there is no one best way to lead people and get work done but rather, that leadership is modified according to the environment it is practiced in for it to be successful. Situational leadership was seen as the best way to successfully implement strategies because it gives room for flexibility of the organization.

The researcher was able to identify the roles played by the leadership styles of the interviewees. These included: monitoring of progress, communication of plans, delegation of duties, encouraging staff and establishing an accountability system. These roles are seen as a clear match for the five phases of strategy implementation discussed in chapter two. As such, leadership is therefore seen as the guidance towards a successful strategy implementation process.

In response to the question of the roles played by each level of staff at KRA with regards to strategy implementation, the respondents identified three levels of staff. The top management level is made up of the board of directors and the commissioner general. They are responsible for controlling and overseeing the whole organization by establishing corporate policies and defining corporate strategies. The middle level is made up of commissioners, regional managers and station heads who are responsible for executing the corporate strategies by interpreting the strategies into simplified targets and actions for their departments, regions or stations. At the lowest level are the assistant managers, supervisors and officers. These ones implement the targets and actions in their day-to-day duties and ensure the quality and quantity of results as required by the strategies defined.

67% of the interviewees pointed out that staff at KRA are involved in the strategy implementation process. This is made possible by communicating strategy to them to ensure they understand what is expected of them; assuring them of their importance to the implementation process by incorporating their suggestions in the strategies and systems; creating timelines associated with the targets to give a clear picture of expectations; compensating the staff in proportion to the type and amount of tasks allocated to them and their contribution to the implementation process; and finally, holding periodic reviews of the achievements so as to ensure successful implementation of strategies and to give feedback to the staff.

Service to the taxpayers was pointed out by 83% of the interviewees as the core value of KRA when they were asked about the shared values existing in KRA. The respondents cited that at the centre of all the operations of the authority is the taxpayer who is the reason for its existence. Therefore, the corporate as well as operational strategies are set out with taxpayers in mind and the systems and staff are equipped to ensure smooth strategy implementation with regards to taxpayers. Shared values create a culture of success as employees care about the business of the organization since it is a unifying factor for them. Since the core value is what drives the implementation process, managers harness the power of this value to shape the success of the authority while responding to changes in the dynamic environment.

On the question of how strategy influences the strategy implementation process, all the interviewees agreed that strategy is important to an organization because it provides a sense of direction and outlines measurable goals. Strategy is useful for guiding day-to-day decisions and also for evaluating progress and changing approaches when moving forward. The respondents argued that for KRA to make the most of the strategy implementation process, careful thought has been put into the strategies outlined and these are backed by realistic, thoroughly researched, quantifiable benchmarks for evaluating results.

4.4 Discussion

The study shows that the most suitable style of leadership at KRA is situational leadership that allows leaders to modify their leadership style according to the prevailing conditions. These findings collaborated with Simiyu (2013) whose research on the challenges affecting strategy implementation in government corporations concluded that the success of the implementation process is assured when top management are involved in the harmonization of the seven elements of the organization. Both studies shed light on the importance of leadership styles that fully commit to involving and informing staff so as to get them behind the implementation process. They also agree that no one best style of leadership exists but rather, leaders should be concerned with problem solving according to each situation and working together with staff to improve the implementation process.

The study found that the core value in KRA is service to taxpayers which has created a culture of success by making the organization's business the business of the employees since this is the sole reason why the authority exists. This concurred with a study by Kepha (2013) that suggested that organization culture has the single most influence on strategy implementation while looking at implementation of corporate strategies in the electricity sector in Kenya. Shared values are therefore widely considered as the value statements within the culture of an organization that keep the team spirit alive and enable employees to keep working towards a common goal.

According to the findings, KRA makes use of the seven elements of the McKinsey 7S model in varying degrees in its strategy implementation process with more emphasis given to the hard elements. This collaborates to the findings of David (1997) who found that organizations tend to emphasize more on the hard elements to achieve success within the workplace. The hard elements are tangible and well documented within the organization and their set up is heavily relied on to support the soft elements within the organization. They are useful for clarifying the implementation process and to define the space within which tasks are successfully accomplished within the entire process.

The study also shows that the soft elements influence the implementation process in KRA since they are concerned with the human resource that is expected to carry out the implementation process. This is in agreement with Burney (1991) whose study on the use of the seven elements in strategy implementation for expansion in global banking found that internal capabilities are crucial to enter new markets. This was also collaborated by Dunphy and Stace (1988) whose study found that the soft elements of the McKinsey model are important in implementing change management strategies. The soft elements of style, staff, skills and shared values all relate to the human resource and how they interact within the organization during the strategy implementation process. These elements are crucial to the process because they determine how leaders and employees play their roles to ensure success of the organization.

4.5 Summary

This chapter has presented an analysis of the findings of the research. The study had 100% response rate with all the interviewees being in either an assistant manager or manager position within KRA in different programs and all having worked for the authority for a period of over twelve years. The study found that all the elements of the McKinsey 7S model exist within KRA and are used in the strategy implementation process. However, the study found that each of the seven elements played a different role in the implementation process and were applied in varying degrees.

This chapter also made a comparison between the study findings and those of other scholars and found that the results of this study were consistent with those reported by other scholars. The results of the application of the elements of situational leadership style in an organization as well as core values influencing the organization culture were found consistent with those presented by other scholars. The study's results also concur with the proposition by other scholars that hard elements are emphasized more than the soft elements.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study and makes a conclusion based on those findings. The recommendations of the study, limitations of the study and suggestions for further research are also presented in this chapter.

5.2 Summary of Findings

The objective of this study was to determine how the McKinsey 7S model is applied in strategy implementation at the Kenya Revenue Authority. Towards this end, the researcher identified the elements of the McKinsey 7S model as well as the concept of strategy implementation and their application within the authority was sought using the interview guide. Interviewees comprised of three managers and three assistant managers who were drawn from different departments namely: Policy Unit Technical, Tax Payer Services, Compliance, Audit and Customer Services Department. These departments fall under the two key KRA departments which are Domestic Taxes Department and Customs Services Department.

The study established that the Kenya Revenue Authority has applied the McKinsey 7S model in its strategy implementation process. The McKinsey 7S model was adopted as means to harmonize the hard and soft elements existing within the organization so as to achieve an efficient and successful strategy implementation process. All the respondents agreed that the top management was responsible for taking control over formulation of strategies that will incorporate and harmonize all the seven elements of the internal environment of the organization. These elements will in turn be useful to ensure that the organization successfully undertakes its intended targets and implements the strategies as set out by the top management.

The respondents all agreed that the seven elements of the McKinsey 7S model are applied in the strategy implementation process albeit in varying degrees. They however agreed that the McKinsey 7S model has been a useful tool for the realization of the organization's strategy. The interviewees affirmed that the hard elements of structure, systems and strategy contribute 94% to the clarification of the strategy implementation process by providing an arrangement within which tasks are accomplished. The interviewees also indicated that the strategy implementation process is influenced 79% by the soft elements of skills, style, staff and shared values. Therefore, it can be said that the McKinsey 7S model has helped KRA to translate its strategy into actions and tasks, clarify it in terms of day to day activities for staff to implement and be better able to communicate and monitor it. Due to this, the activities of the authority have become more focused on what is important, namely the vision of KRA and how to implement it.

5.3 Conclusion

From the results of the study, it can be concluded that Kenya Revenue Authority has successfully applied the McKinsey 7S model to effectively implement its strategy. The major factors emerging from this model are systems, style and strategy. They have been used by KRA as a means to communicate and clarify the strategy implementation process and to provide directions within the organization, gain consensus and therefore rally the organizational members in the same direction. The element of shared values has also been crucial in enabling employees regardless of their job or grade to piece together how their individual roles fit into the whole organization and therefore provided purpose for their day to day work.

This has made the strategy implementation process an inclusive affair within the organization, therefore creating ownership and responsibility. The application of the McKinsey 7S model in strategy implementation has been acclaimed as the major factor that has contributed to the emergence of KRA as one of the leading public bodies in terms of achieving its core objective of collection of revenue on behalf of the government of Kenya. The model has enabled the authority to exploit its internal resources so as to respond to the dynamic environment within the country.

5.4 Recommendations

The study recommends that Kenya Revenue Authority continuously engages in the harmonization of the seven elements of the McKinsey 7S model in order to exploit fully its internal resources in the strategy implementation process while remaining relevant not only to its own operations but also to the ever changing environmental dynamics within the quality and quantity of taxpayers as well as the revenue targets as required of it by the government of Kenya.

Some of the inadequacies in the application of the McKinsey model relate to the insufficient engagement of staff with regards to their empowerment to act on the intended targets of the organization so that they can derive from the vision of KRA to reflect in their day to day work. Their skills should also be invested in to enable them to understand clearly the strategy and to communicate to management what changes are necessary to improve the implementation process. To this end, it is suggested that staff should be trained more often to be able to participate effectively in strategy implementation.

5.5 Limitations of the Study

The limitations of the study included the difficulty of respondents giving the information to the best of their knowledge due to the secrecy act signed by employees working for the government and government agencies. They were further careful in answering the questions not to give more than what was asked. On the other hand, the respondents kept rescheduling the interviews, in the long run, giving the interviews short durations hence not providing detailed responses. The study is also limited to Kenya Revenue Authority and therefore cannot be generalized for all public sector organizations.

5.6 Suggestions for Further Research

The research recommends that a study needs to be carried out that would investigate the equality or lack thereof of the seven elements of the McKinsey 7S model in ensuring strategy is successfully implemented to ensure an organization achieves its intended objectives. Further research should also be done on how external elements of an organization's environment shape the application of the seven internal elements in strategy implementation. This will yield further insights useful for building the body of knowledge on this area of strategy implementation.

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APPENDICES

Appendix I: Introduction Letter

The Human Resource Manager,

Kenya Revenue Authority,

P.O Box 48240-00100,

Nairobi.

MBA RESEARCH PROJECT

I am a student at The University of Nairobi pursuing a Masters of Business Administration program. Pursuant to the pre-requisite course work, I would like to conduct a research project to assess the Application of the McKinsey 7S Model in Strategy Implementation at the Kenya Revenue Authority. The focus of my research will be KRA and this will involve interview with members of staff. I kindly seek your authority to conduct the research at KRA through research interviews and use of relevant documents. I have enclosed an introductory letter from the University.

Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Beatrice Wanjiru Maru.

Appendix II: Interview guide.

Research Topic: The application of the McKinsey 7S model in strategy implementation at the Kenya Revenue Authority.

Section A

1. Name of department

2. What is your designation?

3. What is your total work experience in years?

Section B

1. a) What aspects of the McKinsey 7S model are present in KRA?

   b) Is the McKinsey 7S model used in the strategy implementation process in KRA?

2. a) What structures exist in KRA that are necessary to support strategy implementation?

   b) How do these structures assist in successful implementation of strategies?

3. How do the systems present in KRA assist in the strategy implementation process?

4. a) What types of skills are possessed by employees in KRA at each level?

   b) How crucial are skills to the strategy implementation process?

   c) How does the organization invest in employee skills so as to enhance their ability to implement strategy successfully?

5. a) How can you describe your leadership style in reference to work and people?

   b) What role does the style of leadership play in the strategy implementation process?

6. a) What role is played by each level of staff at KRA with regards to the strategy implementation process?

   b) How are the staff involved in the strategy implementation process?

7. a) What shared values exist in KRA?

   b) What role do these values play in the strategy implementation process?

8. How does strategy influence the strategy implementation process?