CHALLENGES OF STRATEGY IMPLEMENTATION AT THE MINISTRY OF FINANCE IN KENYA

BY:

MUCHIRA JOHN KIBUCHI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2012

DECLARATION

This research project is my original work and has not been submitted for examination in any other University

Signed...Date.......12/11/2012..............................

MUCHIRA JOHN KIBUCHI

D61/74741/2009

This research project is submitted for Examination with my approval as the University Supervisor

Signed..Date....12-11-2012.........

DR. JOHN YABS

LECTURER,

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENTS

I would like to extend thanks to a number of individuals and groups whose assistance enabled me to complete this research project.

I would like to extend my thanks and appreciation to my supervisors Dr John Yabs and Dr. Awino for their guidance which enabled me to complete this research project.

I am grateful to my colleagues during the pursuance of the MBA programme and lecturers some of whom gave me audience during my presentation. The role that you played has been highly appreciated.

Special thanks also goes to my wife, Juliet Mumbi for the love, material and moral support. I also wish to thank my children Jayden and Abigael for support and patience during the entire period of the Master of Business Administration Programme when I was unavailable for them and always being away from home.

I am also indebted to the respondents in the Ministry of Finance who found the time and interest to sit with me while administering my interview guides. Without them this research project would not have materialized.

Finally, I would like to acknowledge the assistance I received from many other people who are not mentioned above. Since it is not possible to mention all of you by name please note that I sincerely appreciate all the help given in one way or another.

DEDICATION

This presentation is dedicated to my wife Juliet Mumbi Nderitu, my children Jayden and Abigael Kibuchi.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

CEO	Chief Executive Officer
DGIPE	Department of Government Investment and Public Enterprise
DPM	Directorate of Personnel Management
ERS	Economic Review Strategy
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
GCA	Government Clearing Agency
GDP	Gross Domestic Product
HOD	Head of Department
HSEQ	Health Safety Environment and Quality
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IT	Information Technology
M & E	Monitoring and Evaluation
MFI	Micro Finance Institution
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
PRSP	Poverty Reduction Strategy Paper
SACCOs	Savings and Credit Co-operative Societies
SAP	Structural Adjustment Programme
U.K.	United Kingdom

A/G	Accountant General
C/MPC	Commissioner, Monopolies and Prices Commission
CBK	Central Bank of Kenya
CFO	Chief Finance Officer
CMA	Capital Markets Authority
D/DHRM	Deputy Director, Human Resources Management
D/DMD	Director, Debt Management Department
D/ERD	Director, External Resources Department
D/DPPD	Director, Public Procurement Directorate
DA	Director of Administration
ES	Economic Secretary
FS	Financial Secretary
H/CPPMU	Head, Central Planning and Project Monitoring Unit
H/GCA	Head, Government Clearing Agency
IAG	Internal Auditor General
IRA	Insurance Regulatory Authority
IS	Investment Secretary
KRA	Kenya Revenue Authority
PPOA	Public Procurement Oversight Authority
PS	Permanent Secretary
RBA	Retirement Benefits Authority
SPAC	Senior Principal Accounts Controller

ABSTRACT

Strategic thinking can be divided into two segments; strategy formulation and strategy implementation. Implementation of Strategy being the second phase of strategic management makes it a crucial stage in strategy management process as it unites organization behind strategy and ensures that activities are done in a manner that tightly matches requirement for first rate strategy implementation. However, implementation of strategy cannot take effect until they take the shape in action like day to day processes and relationships that exists in organizations.

This research project sought to determine the challenges faced by the Ministry of Finance in their strategic plan implementation and it also sought to establish how the Ministry of Finance deals with the challenges in the implementation of the strategic plan.

To achieve the stated objectives a case study research design was used and primary data was collected in September 2012, interview guide was administered by interviewing on two secretaries and five heads of departments.

The respondents were office of Financial Secretary through Head of Central Planning Unit and Permanent Secretary through Director of Administration. The five Heads of Departments all responded making a total of seven respondents representing 100% response rate.Content analysis was used to analyze the data which confirmed the challenges faced by Ministry of Finance in their Strategic plan implementation and organizational structure, communication culture and resource mobilization.

Lack of scheme of service seemed to have been the most challenging factor for Ministry of Finance strategic Plan Implementation.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Strategy is the determination of the basic goals and objectives of an enterprise, the adoption of the courses of action and allocation of resources necessary to carry out the goals. It is a blueprint of actions to be done in an organization arising out of the need to achieve certain organizational goals. Strategy has two main phases i.e. formulation and strategy implementation. At the formulation stage, the basic goals to be achieved are set out. Strategy implementation, however, is the process by which the strategy is realized by applying what was formulated.

Implementation of strategy is important to any organization as it unites the organization behind strategy, sees that activities are done in a manner that tightly matches requirements for first-rate strategy execution, it also generates such determined commitment at all organization levels that an enthusiastic crusade emerges to carry out strategy and it creates a series of strategy supportive "fits". Raps (2005) says that on an average the success rate of strategy implementation ranges between 10% and 30%. The reasons for these failures may be identified as unfeasibility of the strategy, weak management, lack of communication, lacking commitment to the strategy, unawareness or a misunderstanding of strategy, unaligned organizational systems and resources, poor co-ordination, uncontrollable environmental factors and negligence of daily business. It is evidently clear from the above discussion that for an organization to be successful it will need strategies. But these strategies are only as good as they are implemented.

1.1.1 Strategy Implementation Challenges

Although strategy implementation is viewed as an integral part of strategic management process, little has been written or researched on it (Awino, 2001). Indeed, strategies cannot take effect until they take the shape in action. Such actions take the form of the day-to-day processes and relationships that exists in organizations. However, in the process of implementation of strategy, certain challenges are faced. Several writers including David (1997), Pierce and Robinson (2001, Thompson and Strickland (2001), Johnson and Scholes (2002), have identified these challenges as, amount of strategic communication from top to bottom, competing activities that distract attention from implementing decisions, changes of responsibility for key employees not clearly defined, key formulators of strategic decisions not playing active role in implementation problems requiring management involvement not communicated early enough, key implementation tasks and activities not sufficiently defined, resource allocation, matching structures with strategies, linking performance and pay to strategies.

By properly addressing the above challenges it is expected that the strategic plans will be successfully implemented. However, these challenges may pose bigger problems for the public sector and the government departments and ministries given the nature of wide ranging stakeholders' needs which must be addressed by the ministries.

1.1.2 The Financial sector in Kenya

The financial sector is a nerve center of economic development. It provides the important service of financial intermediation that largely entails enabling surplus spending units to save and deficit spending units to raise fund for investment and consumption.

Kenya's financial sector grew steadily in the 1990's as indicated by the growth of the share of the financial sector in the GDP from 7.9% in 1990 to 9.6% in 1994 and to 10% in 1997.The Kenyan banking sector is dominated by a few large firms which focus mainly on short term lending.

As the financial sector grows, the institutional diversity is expected. However, this has not been the case, as reflected in the limited growth of other competing institutions like post bank, insurance and the stock exchange.

1.1.3 Ministry of Finance – Kenya

The Ministry of Finance is one of the key Ministries of the Government of Kenya that is charged with the general economic management. The Government of Kenya (GOK) is also comprised of other various ministries. Each of these ministries has its own roles that it plays as stipulated in the constitution of Kenya.

The main objectives of the Ministry include formulating financial and economic policies, developing and maintaining sound fiscal and monetary policies and the management of revenues, expenditures and borrowings by the government. In order to help the ministry achieve these objectives, the Ministry is divided into fourteen major departments. These departments are procurement, government clearing agent, internal audit, insurance investment and public enterprise, economic affairs, pensions, debt management, monopolies and prices commission, accountant general, information technology, external resource department, fiscal and monetary affairs and budgetary supplies (www.treasury.com).

The economic development of Kenya has experienced a number of cycles of growth followed by downturns and stagnation. Immediately after independence between 1964 and 1971 the country registered a GDP growth averaging 6.5 %. Such growths were later to be experienced in the 1980s at rate of 5% of GDP.

Starting in the mid 1980s the government abandoned the old paradigm which upheld the centrality of state planning and management of economic development, of allocating resources and producing goods and services for public and private consumption due to stagnation. The changes from a controlled economy to a market economy popularly known as liberalization or Structural Adjustment Programme (SAP), changed the role of government of regulatory rather than involvement in business of public enterprises for example civil service rationalization.

The 1990s was especially challenging to the Ministry. The demand for public services surpassed the resources to support their delivery. There emerged a budget deficit that grew over time. The government resorted to domestic borrowing. This had effects on the interest rates which sky rocketed affecting the overall economic performance. The issue of nonperforming loans exploded and some banking operations were severely affected. The government was unable to service its external debt, which had increased substantially. During the same period, public enterprises were performing poorly, thus requiring support from the government.

To address these problems, a number of reforms were introduced. They were public finance management reforms, which were expected to streamline government revenue collections and expenditures. The financial sector is being reformed to enhance mobilization of resource for investment. The public enterprises reforms, which include privatization, are targeting public enterprises to enhance their performance. The Ministry is expected to provide strategic leadership to these reforms.

The Ministry, for instance, is required to maintain revenue at 21 per cent of GDP. Additionally it is expected to restructure expenditure to be growth-oriented and pro-poor.

1.2 Research Problem

Strategy involves formulation and implementation. But good strategies are only as good as they are successfully implemented. Experience has shown that good strategies have been written but very little has been achieved in their implementation. Examples are such strategies as the Turkwel gorge project, Nyayo pioneer car, and in the most recent times, the Millennium Development Goals which have all well been documented but their implementation were never as successful. The failure of these strategies may be attributed to a number of challenges which may not have been addressed adequately at the implementation stage. Common challenges in implementation include; unsupportive organizational structure and culture, resistance to change, implementation taking too long than anticipated, unsupportive process and procedures, uncontrollable factors in the environment, major obstacles surfacing during implementation that were not anticipated beforehand, inadequate resources, inadequate training of staff and supporters of strategic decision leaving the organization during implementation. These challenges may be as a result of a number of factors such as lack of management goodwill, lack of adequate resources, middle managers not involved in formulation hence do not understand it.

The Ministry of Finance has developed its second strategic plan covering the period2009-2012.This is informed by the ministry's first strategic plan 2004/2005-2006/07 and is anchored on the 2008-2012 medium term plan, the first of the five year medium term rolling plans implementing Kenya vision 2030.The plan defines the objectives, strategies, as well as the implementation framework upon which the ministry will deliver its mandate.

It also highlights the envisaged challenges, the mitigating measures and the monitoring and evaluation mechanism. It provides a road map through which the ministry intends to achieve it's objectives. These envisaged challenges may be more complex for the Ministry due to the many stakeholders that expect it to respond to their needs. They include political stakeholders, social stakeholders and the economic environment in general. Further, the high profile nature of the Ministry as a source of funding for activities which are critical to the economy may be a factor that poses challenges to the successful strategic implementation. The challenges may be unique to the ministry, or could be similar to those identified in previous studies.

The plan comes into operation at a time when the economy is reeling from the adverse effects of the post election violence and persistent high global fuel and food prices. The plan therefore recognizes the need to strengthen the Ministry's processes in mobilizing the resources that are required to quickly restore the economy to the desired vision 2030 growth trajectory.

Various scholars have done studies in Kenya on challenges faced in strategy implementation. Those scholars are Nyandiere (2002), Koske (2003), Waruhui (2004), machuki (2005). They identified the challenges ranging from unsupportive culture, lack of good leadership, matching structures to plan, lack of adequate resources, unsupportive communication system, and implementation taking more time than originally allocated. The only study among these on the Kenya public sector was by Koske (2003), done at Telkom Kenya. So far, there is no evidence of a study carried out on this subject in the Ministry of Finance. This is despite the important role the ministry plays in the management of the country's economy. It is this gap that was the motivation for undertaking this research work.

This study has two research questions it seeks to answer:-

i. Has the Ministry of Finance faced any challenges in the implementation of the strategic plan 2009/2010-2011/2012; and
ii. What intervention measures has the Ministry put in place to deal with these challenges.

1.3 Research Objectives

This study had two objectives:-

i. To determine the challenges faced by the Ministry of Finance in their strategic plan implementation; and

ii. To establish how the Ministry of Finance deals with the challenges faced in the implementation of the strategic plan.

1.4 Value of the study

The results from this study will be invaluable to a number of stakeholders;

To start with, the Ministry of Finance and other ministries in the Government will find the study valuable as it will give them a better perspective of how they can implement their strategies successfully.

Additionally, state corporations and other Government agencies will find the study valuable since strategy implementation there is related to that in the ministry of finance. For instance, while preparing proposed schemes of services, disparities on remunerations need to be addressed for successful Implementation of the strategies.

To the Academia, it will be a valuable platform for future researchers especially in trying to bridge the gap between formulation and implementation. This is so since formulation may appear easy but implementation on the other hand is tricky and requires to be handled properly for it to be successful.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Strategy may be said to denote a general programme of action and deployment of emphasis and resources to attain comprehensive objectives. Different scholars gave various definitions. This can be traced from Chandler (1962) who defined strategy as determination of the basic goals and objectives of an enterprise, the adoption of the course of action and allocation of resources necessary to carry out these goals.

2.2 The Concept of Strategy

Andrews (1965) defined strategies as pattern of objectives, purposes or goals and major policies and plans for achieving these goals, stated in a way to define what business the company is in and the kind of company it is. Mintzbert (1978) also described strategy as a plan, ploy, pattern, position and perspective. Strategies, as such may be said to be types of plans, which have certain objectives to be achieved. It may include methods and procedures of doing or performing activities to reach the desired goals.

Ansoff (1990) defined strategy as a set of decision making rules for guidance of organizational behavior. According to De Witt and Meyer (1994), strategy embraces all the critical activities of a firm, it provides sense of unity, direction, purpose and facilitating necessary changes induced by environment. De Witt and Meyer recognize strategy as an activity that must take place within the limits of an enterprise financial and other resources.

Recent writers have also given various definitions of strategy. Thompson and Strickland (2001) defined strategy as the game plan management is using to stake out market position, conduct its operation, attract and please customers then compete successfully in order to achieve organizational objectives. According to Johnson and Scholes (2002), strategy is the process that matches resources and activities of organizations to the environment in which it operates.

2.3 Strategic Management

The nature of strategy is formulation and implementation. It is a lively process by which organizations identify failure, opportunities and portrays struggles over the realization of ideas. Through strategies, management commits to pursue a particular set of actions.

Harvey (1998) defined strategic management as a process of formulating and evaluating business strategies to achieve objectives. Thomson and Strickland (2001) states that is a managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and then over time initiating whatever corrective adjustment in the vision, objectives, strategy and execution are deemed appropriate. Thus, strategic management has two phases namely; planning and implementation.

Planning is the exercise by which organizations determine what they want to achieve and how they would achieve it. Chandler (1962) defined strategic planning as determining the basic long-term objectives and the adoption of course of action and the allocation of resources necessary for carrying out those goals. Pearce and Robinson (2006) say that strategic planning examines the types of long-range objectives and specify the quality of objectives and must provide basis for direction and evaluation.

Pearce and Robinson (2006) summarize it beautifully that it is what a company does and how it actually positions itself commercially and conducts its competitive battles. Thus, it involves choosing how best to respond to the circumstances of a dynamic and sometimes hostile environment.

Implementation is the second part of strategic management. Mintzbert (1978) defined strategy implementation as carrying out predetermined strategic plans. De Witt and Meyer (1994) outlines strategy implementation as the process by which strategies and policies are put into action through development of programmes, budgets and procedures. The above writers built their definition around the process of implementation of strategies.

Eventually there is a good agreement that strategy implementation is the means by which strategies are realized. Various implementation factors such as leadership, communication, culture, structures and control systems are put in place at this point.

Implementation of strategy involves a series of activities. These activities or components vary depending on the various authors. Thompson and Strickland (2001) outline principal tasks of strategy implementation to include; building a capable organization, allocating ample resources to strategy critical activities, establishing strategy supporting policies and procedures, instituting best practices and mechanisms for continuous improvement, relying on middle or lower level managers to get things done, installing support systems enabling personnel to carry out their strategic role successfully, tying rewards and incentives tightly to achievement of key objectives, creating a strategy supportive culture and exerting strategic leadership.

David (2005) gave strategy implementation in a management perspective. According to him strategy implementation involves establishing annual objectives, devising policies, allocating resources, alerting an existing organizational structure, restructuring and re-engineering, revising required and inventive plan, minimizing resistance to change, matching managers with strategies, developing a strategy supportive culture, adapting productive / operation processes, developing an effective human resource function and downsizing if necessary. The discussion has looked at strategic formulation and implementations, two unreeled activities in strategic management and that one supersedes the other. However there is new thinking to this effect. The current opinion of most writers and managers is such that strategic planning and implementation must not be viewed as separate phases of strategy management but rather as complimentary aspects in managing strategy successful.

2.4 Communication in Strategy Implementation

Communication is the flow of information within the organization. It helps ensure that goals are understood, instructions are disseminated and feedback from various units and personnel received. Communication therefore is an important area of implementation for which various researches have been done. One such study was done by Ikavalko and Aaltonen (2002) on middle managers role in strategy implementation. They came up with the conclusion that one major reason for failure in strategy implementation is lack of communication from the top management. They advocated involvement of the strategic (implementing) managers in the planning process to ensure a greater degree of implementation of strategy successfully.

From the above discussion, it is quite clear that communication is a major tool for the implementation of strategies. To use Raps (2004) words, communication should cover the reasons employees are performing new tasks and activities because of the strategic implementation.

2.5 Structure and Strategy Implementation

Organizational structure may be defined as the framework of roles and reporting to relationships vertically and horizontally within an organization. It is a very important aspect that helps in smooth flow of work and ensures unity of direction and purpose. Kumar et al (2003, reviewed the operation of oil and gas industry in Norway in which their aim was to come up with mode (structures) that ensured effective and efficient strategy implementation in their work, they examined and analyzed two different strategies within Norway Oil and Gas industry.

Kumar et al (2003), identified certain factors as stated by the respondents which were responsible for the success of strategy implementation as factors related within and between management and personnel i.e. culture and company, communication, trust and dialogue, openness and commitment, level of turnover of personnel and age combination of personnel, management and performance related factors i.e. management philosophy, mutual understanding, alignment of objects, focus on performance and health, safety, environment and quality (HSEQ)mindset); and external factors i.e. (government regulations and policies and prices). They combined these factors and came up with a model of strategy implementation. Okumus (2003), attempted also to come up with a workable structure that would increase success of strategy implementation. According to him, the answer to successful implementation lay in coming up with a model that is all-inclusive.

The model should be viewing formulation and implementation of strategy as one and not different process, ensuring that the implementing manager and personnel are part and parcel of the formulation process. Through this, adequate measures for control and corrective actions can be put in place. He came up with a model which is reproduced below: (Figure I: Strategy implementation framework)

2.6 Strategy Implementation and Culture

Culture may be defined as a system of shared beliefs, values and norms. Each organization has its own corporate culture either by design or coincidence. Positive corporate culture practices within an organization have positive impact on employee performance.

Earlier writing by Beaydan (2001) on “Leadership of the strategy”, suggested that failure of strategy was often when strategy and culture were at odds. He says that culture always wins. He identified three key areas in addressing culture as follows; How are peoples’ current value and beliefs connected to this strategy? How is the strategy aligned with our norms? and What leadership behavior will need to change in order to pave the way for successful implementation?

Raps (2005, in his study, “Strategies implementation-an insurmountable obstacle?” identified culture as a major component that influences strategy success. He used Colza Pharmaceuticals as a case study on implementation and sought to identify why there was considerable success of implementation at the organization. His research was informed by two documented facts, that implementation success rate is as low as between 10% and 30% of intended strategy; and most managers spent more time on formulation, making implementation to come only as an after thought.

Based on these facts, he carried out a research, and the results were such that on one of the reasons attributed to success so far at Colza was culture. Raps (2005) says, “Corporate culture creates, and turn, is created by the quality of the environment; consequently, culture determines the extent of cooperation, degree of dedication and depth of strategic thinking within an organization”.

2.7 Challenges of Strategy Implementation

The implementation of a strategy has an enormous impact on an organization’s overall success. A formulated strategy can only generate an added value for the organization if it is successfully implemented. However, implementation of strategies has always been known to face various challenges. Researches on challenges of strategy implementation, has been done by a number of scholars. Raps (2005), for example, while writing on strategy implementation, outlined ten-point checklist.

These were; commitment of top management, involve middle manager's valuable knowledge, need for communication, integrative point of view, clear assignment of responsibilities, preventive measures against change barriers, emphasize teamwork activities, respect the individual's different characters, take advantage of supportive implementation instruments, and calculate buffer time for unexpected incidents.

While discussing the above, he points out that the most important thing when implementing a strategy is the top most management's commitment of strategic direction itself. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes a positive signal for all the affected organizational members.

Raps (2005) again points out that the middle managers should be involved in formulation of the strategy. By ensuring that these managers are a part of the process, their motivation towards the project will increase and they will see themselves as an important part in the process. As such to increase implementation success these managers should be included in the formulation process.

Effective communication framework has also been identified as a key implementation challenge. Experience has shown that communicating to employees issues related to the strategy implementation frequently delayed until the changes have already crystallized and that to deal with this critical situation, an integrated communication plan must be developed. Such a plan he says is an effective vehicle for focusing the employee's attention on the value of the selected strategy to be implemented.

Raps (2005) say that often a challenge imposed on implementation is that it is rarely integrative. He says that there is over-emphasis on the structural aspects and reduce the whole effort down to the organizational exercise. It is, thus, dangerous to ignore the other existing component.

He identified clear assignment of responsibilities as another challenge. According to him responsibilities are never quite clearly stated. In addition, these responsibilities are diffused through numerous organizational units. Cross-functional relations are representative of an implementation effort. This is a challenge because generally most organizational members tend to think only in their "own" department structure. Over-bureaucracy may also be experienced thus ending up in a disaster for the whole implementation.

Change barriers have also been identified as major challenges. Raps say that is a great challenge within strategy implementation on how to deal with potential barriers of the affected managers. It is therefore necessary that in the process of formulation that barrier are identified and properly analyzed to identify their potential impact without underestimating any.

Teamwork plays an important role within the process of strategy implementation. However, the challenges is on how to develop it. Differences in personality must be adequately addressed to remove serious inconsistencies on how strategies are understood and acted on.

Respect amongst individual may be a major challenge. Raps says that firstly, consideration regarding people have to be integrated into strategic implementation, and secondly, the individual behavior of these persons is to be take into account. He says that personality differences often determines and influence implementation.

Speculand (2005) while writing on strategy implementation also identified the same challenges as above. However, he went a step further and came up with a rank of the top challenges faced in implementation in order of the most challenging task at the top to the least challenging exercise at the bottom. The ranking is reproduced in the table below:

2.8 Top Challenges faced in implementing strategy

Table 1: Top Challenges Faced in Implementation Strategy

Ranking	**Challenge**
1.	Gaining support and action
2.	Communicating the change
3.	Overcoming resistance from staff
4.	Support of senior management
5.	Aligning processes
6.	Tracking success of implementation
7.	Changing rewards and recognitions
8.	Acquiring customer feedback
9.	Implementing new technology
10.	Acquiring budget

Source: Ministry of Finance Strategic Plan 2009 - 2012

In Kenya a number of scholars have done research on challenges of strategy implementation in both private and public sector. They include Nyandiere (2002), Koske (2003), Mumbu (2004), Machuki 2005). The scholars identified the following challenges in strategy implementations; unsupportive organization structure and culture, resistance to change, implementation taking too long than anticipated, unsupportive process and procedures, uncontrollable factors in the environment, major obstacles surfacing during implementation that were not anticipated beforehand, inadequate resources, inadequate training of staff and advocates and supporters of strategic decision leaving the organization during implementation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology are the methods used to find solutions for an imminent problem facing a society or an organization. In this research, case study was used in finding out those challenges that are faced while implementing strategies at the ministry of finance in Kenya.

3.2 Research Design

The research was a case study. The research design was chosen taking into considerations the following problems; which question to study, which data are relevant, what data to collect and how to analyze the results.

This design was good since it addressed well the research question and also because it was in tandem with the orientation of the researcher. Similar research done in Kenya by Koske (2003) at Telkom Kenya proved it to be reliable design for studies within the public sector.

3.3 Data Collection

Primary data was collected by the use of a comprehensive interview guide addressing different issues on challenges to implementation including annual objectives, policies, resource allocation, matching strategy with structure, culture and support systems. A total of seven people in the Ministry of Finance were interviewed using the interview guide.

Two secretaries of the Ministry were included in the study. The financial Secretary, who is the Accounting Officer of the Ministry of Finance and the Economic Secretary who is charged with formulation of economic policies to give information on policy issues such as structures supportive of strategy. Another guide was administered on the five heads of major departments (technical staff) with emphasis on operational issues such as communication and strategy supportive systems. Accompanying the guide was an introductory letter which was hand delivered.

3.4 Data Analysis

Content analysis was used in the analysis of this data. This approach allows meaning to be extracted from information collected and relate them to the core areas of the study. It also takes cognizance of the secondary data. The method is appropriate because most of the information collected was qualitative which means it required analytical understanding of the data.

Similar approach was used by Machuki (2005) when carrying out research on challenges of strategy implementation at CMC Motors Group Limited. The content of the data collected was examined critically to help in drawing conclusions. These conclusions were generalizations on the subject of study and drew heavily from information on challenges of strategy implementation in the Ministry of Finance.

CHAPTER IV

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents primary data findings of the study. The study was done by use of detailed interview guides. The total number of persons interviewed was seven, two secretaries and five heads of departments representing a response rate of 100%. The major departments of the Ministry of Finance that were selected for study were; Economic Affairs department, Debt Management department, Department of Government Investment and Public Enterprises, External Resources department, Budgetary Supplies department, the Financial Secretary's office and the Director of Administration. (See Figures 1 and 2 – organogram for Ministry of Finance).

The study had two main objectives; firstly, to determine the challenges faced by the Ministry of Finance in their strategic plan implementation, and secondly, to establish how the Ministry of Finance deals with the challenges faced in the implementation of the strategic plan.

The presentation of the data starts with the discussion of the Ministry of Finance's strategic plan, its objectives, and then an analysis of the challenges faced in implementation factors of structure, culture, communication and resources. The strategy adopted by the Ministry to deal with the challenges identified and it concludes by presenting discussion on findings.

4.2 Strategic Outlook

The Ministry of Finance derives its mandate from the constitution of Kenya, that provides for proper budgetary and expenditure management of government financial resources. The main objectives of the Ministry includes; formulating financial and economic policies, developing and maintaining sound fiscal and monetary policies and the management of revenue, expenditures and borrowings by the government.

Towards the attainment of these objectives, and because of the changing environment under which it operates, the ministry of finance has come up with two Strategic Plans. The first one was for 2004/05-2006/07. The second one which is ongoing and which was informed by the first one is for 2009-2012.This one is anchored on the 2008-2012 medium term plan, the first of the five year medium term rolling plans implementing Kenya vision 2030. The objectives of the 2009-2012 strategic plan are;
Improving mobilization, allocation and management of government financial resources aimed at; broadening the tax base to capture all eligible tax payers, strengthening tax administration and collection of other revenues, improving external aid planning and management, strengthening national debt management, strengthening debt markets, promoting transparency and efficiency in privatization of public enterprises, ensuring efficient and professional management of public enterprises, deepening the MTEF process in all Ministries /Departments, strengthening public expenditure management, creating national asset management unit to safeguard government property and assets, and strengthening public procurement system.

To provide efficient leadership and supervision to financial sector the objective was to enhance stability in banking sector, promoting micro finance institutions and savings and credit co-operative societies, enhancing the performance of capital markets authority, facilitate growth and stability of the retirement and pension industry, enhance stability and growth in the insurance industry.

To promote and sustain fair competition and protection of consumers and enhancing competitive advantage of the country, the Ministry aimed at reviewing the laws relating to competition and consumers protection, restructuring of tax regime to give incentives to exporter and to improve accessibility of credit.

To optimize utilization information communication technology in all government ministries and department including Ministry of Finance by formulating a national ICT policy and strategy, having legal framework governing the electronic communication as a trading tool and address fraud and crime (e-commerce) promoting e-government, develop capacity to efficiently utilize ICT and to improve communication, enhance communication process and systems. To improve the quality of service provided to government Ministries/Departments and the public by improving services provided by pension department, accountant general department, external resource department, government information technology service department internal audit department and optimal utilization of GCA services. To create an enabling environment for development partners and private sector to operate effectively by improving transparency and accountability promoting effective strategic alliances with private sector.

To enhance capacity for effective leadership and management of change by strengthening the top management to engage in change management, human resource planning and development, achieve optimal acquisition, allocation and efficient utilization of equipment and other facilities, deliberately and positively respond to HIV/AIDS pandemic, by strengthening capacity to create awareness and support behavior change, collect information on impact of HIV/AIDS in the entire ministry.

To promote ethics, integrity and reduce corruption by promoting ethics, integrity and anti-corruption laws, and institutionalize monitoring and evaluation by mainstreaming monitoring and evaluation.

Give the four identified Semi Autonomous Government Agency status to strengthen the ministry structure and optimize on staffing levels e.g. pensions, monopolies and price commission insurance and Government Clearing Agencies. In order to achieve these objectives effectively, each department within the Ministry was assigned certain objectives. A review of objectives of key departments within the ministry is done in the sub-topics that follow.

4.2.1 Economic Affairs Department

It is a key department within the Ministry, its mandate are to develop and manage Fiscal and monetary policies in collaboration with Central Bank and Kenya Revenue Authority, prepare revenue estimates for national budget, responsible for preparation of finance bill, financial statements and economic policy guidelines, deals with tax policy (international, regional and national) and regulation of financial sector institutions.

Based on the above functions of the department, the strategic plan identifies the following objectives for the department. Firstly, it is mandated to improve mobilization, allocation and management of government resources. To achieve these, the Economic Affairs Department has put in place plans such as broadening the tax base to capture all eligible taxpayers including the informal sector, strengthening tax administration and revenue collection

Secondly, it is required to provide effective leadership and supervision to the financial sector. In doing this, the department seeks to enhance stability in the banking sector. Already the Banking Act and Central Bank of Kenya Act has been implemented. The Amendment of Central Bank of Kenya Act to introduce DUPLUM rule whose role is to safeguard interest charges of borrowers, introduce neutral instrument to replace the Treasury Bill rate as benchmark interest rate and amending penal code to make issue to bouncing cheque an offence are the main strategies in achieving the objectives.

Thirdly, the plan requires the department to promote Micro Finance Institutions (MFIs) and Savings and Credit Co-operative Societies (SACCOs).It has opted a plan of encouraging and promoting MFIs and SACCOs by creating a favorable environment for their operations and setting regulatory framework. There is a plan for speeding up Act of Parliament for second tier Banking.

4.2.2 External Resources Department

The department derives its mandate directly from External Loans and Credit Act, Cap 422.It is mandated to secure external resources for approved government programs and projects to further national development goals, ensure prudent management and utilization of external resources and co-ordinate bilateral and multilateral technical support through desk officers.

The department adopted a number of plans to help it achieve its mandate that are crucial for the successful implementation of the strategic plan. One of the main objectives the department has been mandated with in the strategic plan 2009-2012 is to improve external aid planning and management. Towards this it has developed External Aid Policy framework to ensure that budget and technical assistance programmes for socio-economic development goes to the intended projects. For example, management and monitoring and evaluation framework, information system for tracking external aid disbursement, utilization and accounting, and enhancing capacity for negotiations have been put in place.

4.2.3 Debt Management Department

The department's mandate is to rationalize and streamline the management of the country's debt with a view to achieving operational efficiency in debt administration and to maintain comprehensive inventory of loans together with forecast of debt service. Strategic objectives of the department are two. First, it is to strengthen national debt management. To do this, there are plans to reduce debt to sustainable levels. A programme to reduce domestic borrowing and shifting from short-term borrowing to long-term borrowing has been put in place. The department's policy is to pursue external borrowing and setting up of pension funds and setting domestic debt fund. The department is also in the process of reviewing Laws and Regulations governing national debt management.

Secondly, it aims at strengthening debt market. The action plans it has put in place to achieve this includes; restructuring primary market for government securities, restructuring secondary market to make it competitive and have more players, introducing benchmark bonds for domestic borrowing rules and introduction of regulations that allow over the counter transactions and getting draft for a new primary dealer system.

4.2.4 Government Investment and Public Enterprises Department

The department represents government of Kenya ownership function in regard to public enterprises and other investments, and also provides oversight and leadership in setting public enterprise strategic objectives and ensuring that those objectives are met.

Its strategic objectives in trying to achieve the above duties include promoting transparency and efficiency in privatization of public enterprises. The department has tabled privatization bill entrenching institutional framework and the process into law as well as drafting privatization strategy to attract private sector capital and management resources in parastatals. It's other objective is to ensure efficient and professional management of public enterprises. The department is currently undertaking a programme of disposal of commercial non-strategic enterprises by inviting private sector partnerships and restructuring others to achieve this objective.

4.2.5. Administration Department

The Department has two functions; to provide coordinative support services within the Ministry and creating conducive working environment. The strategic objective of the department is to achieve optimal acquisition, allocation and efficient utilization of equipment and other facilities, provision of working tools and facilitate optimum utilization of what is available.

4.2.6. Budgetary Supply Department

This department's tasks include preparation of annual estimates of revenues and expenditures that are laid before parliament every year for approval, preparation of supplementary estimates as required and fulfils constitutional requirement.

Its strategic objectives include deepening the Medium Term Expenditure Framework (MTEF) process in all Ministries and departments. The department's approach towards this has been priority budgeting system by integrating planning and budgeting processes.

Its second objective is to strengthen public expenditure management. To achieve this objective it has introduced a system that captures all forms of expenditure commitments, monitoring borrowings from banks and financial institutions by public enterprises with respect to contingent liabilities. It has also embarked on strengthening financial management by training the accounting officers and clarifying and emphasizing their role. The department introduced the Financial Management Bill, and also implemented Integrated Financial Management Information System (IFMIS).

4.3 CHALLENGES FACED IN PLAN IMPLEMENTATION

The implementation of a strategy has an enormous impact on an organization's overall success. A formulated strategy can only generate an added value for the organization if it is successfully implemented. However, implementation of strategies has always been known to face various challenges.

4.3.1 Organization Structure

There were changes in the Ministry occasioned by the strategic plan. One of the changes was the officers seconded from the Central Bank to the Economic affairs Department and the Debt Management department in the Ministry: the Debt Management Unit, previously in Economic Affairs department has been given full department. There was also the de-linking of the directorate of procurement to become procurement oversight authority. This was facilitated by the enactment of the Public Procurement and Disposal Act 2005 which came into effect on 1st 2007 as per legal notice NO.171 of the 29th December 2006. The regulations were published as per legal notice No. 174 of 29th December 2006.

Also the Insurance department has been made to become semi autonomous authority of its own as per Insurance amendment ACT. Other developments are the performance contracting and introduction of performance appraisal and the annual work plans.

According to Director of Administration, the Ministry also did away with some services that it currently out-sources from other service providers to allow itself concentrate on key issues of implementation. Cleaning services, security and waste disposal are the key areas outsourced to enhance work environment.

However, there were structural challenges in the implementation of the strategic plan. These challenges were:-

4.3.2 Staffing

For the implementation of the strategic plan, the ministry will require both human and financial resources. The Ministry has an establishment of 2,058 members of staff that comprises of policy makers, senior management, technical and support staff with a majority deployed in the district treasuries as shown in table 2 below.

Table 2 further shows that most of the technical / management staff falls within the cadres of accountants, auditors and economists. The high composition of accountants and auditors can be attributed to the fact that the ministry is responsible for financial management of public resources in both line ministries and at the district treasuries.

Table 2. Distribution of staff among departments

	Department	Technical & Management	Support	Total	Dept Total as % MOF
1.	Accountant General	33	15	48	2.33
2.	Accounts Division	17	31	48	2.33
3.	Administration	13	101	114	5.54
4.	Budgetary Supply	30	25	55	2.67
5.	Central planning & projects monitoring unit	2	1	3	0.15
6.	Debt Management	16	9	25	1.21
7.	GDIPE	19	14	33	1.60
8.	District Treasuries	289	586	875	42.52
9.	Economic Affairs	24	18	42	2.04
10.	External Resources	33	33	66	3.21
11.	Finance Division	2	2	4	0.19
12.	Government Clearing Agency	5	35	40	1.94
13.	Human Resource Management	4	42	46	2.24
14.	Internal Audit	268	151	419	20.36
15.	Monopolies & prices commission	39	5	44	2.14
16.	Public Procurement Directorate	27	22	49	2.38
17.	Procurement Division	6	7	13	0.63
18.	Pension's	38	96	134	6.51
19.	Total	865	1193	2058	100.00

Source: Ministry of Finance strategic plan 2009 - 2012

In order to meet staff requirements of the strategic plan, various departments will require additional staff as indicated in table 3 and 4. In total the ministry requires an additional staff of 1578 (76.68%) from the current level of 2058 to 3,636. Specifically, the number of investment officers will increase from the current 5 to 30, administrative officers from 21 to 61 and pensions officers from 17 to 45. In line with the Ministry's strategic priorities, some new cadres will be introduced while others will be strengthened or reassigned. As a result, the number of economists will decline by 85.96 percent through reassignment of officers to economic policy analysts, debt management officers and external resources officers.

Table 3: Proposed Management/Technical Staff

Description	Current	Required	Increase/ (Decrease)	% Increase/decrease
Accountants	375	970	595	158.67
Auditors	268	488	220	82.09
ICT officers	0	23	23	New cadres
Monopolies Officers	35	47	12	34
Economists	57	8	-49	-85.96
Administrators	21	61	40	190.48
Procurement Officers	33	27	-6	-18.18
Investment officers	5	30	25	500
Government clearing officers	4	9	5	125.00
Finance Officers	26	30	4	15.38
Debt management officers	0	30	30	New cadres
Pension Officers	17	45	28	164.71
Human Resource management officers	5	12	7	140.00
External Resources officers	0	25	25	New Cadres
Economic Policy Analysts	0	25	25	New Cadres
Others	19	21	2	10.53
Total	**865**	**1851**	**986**	**133.99**

Source: Ministry of Finance strategic plan 2009 - 2012

In order for the technical / management team to carry out their duties effectively and efficiently, they are supported by the administrative support staff who include the Accountants, Auditors, secretarial staff and drivers as shown in table 4 below .A majority of officers in these cadres are Accountants 42.5%, Secretarial staff 16.26%, Clerical Officers 12.15% and Auditors 11.23%. This is attributed to the fact that these categories of employees are deployed in most of the departments in the Ministry including field stations.

Table 4: Proposed administrative Support staff

Description	Current staff	Proposed	Increase/ (Decrease)	% Increase/Decrease
Accountants	507	660	153	30.18
Auditors	134	107	-27	-20.17
Clerical Officers	145	359	214	147.59
Drivers	48	24	-24	-50.00
HRM Officers	17	23	6	35.29
Pensions Assistants	0	40	40	New Cadre
Procurement Staff	16	25	9	56.25
Secretarial Staff	194	262	68	35.05
Security Staff	11	19	8	72.73
Support staff	98	206	108	110.20
Telephone Operators	11	15	4	36.36
Others	12	45	33	275.00
Total	**1,193**	**1,785**	**592**	**49.62**

Source: Ministry of Finance strategic plan 2009 - 2012

Previously there was no scheme of service in Debt Management Department, Economic Affairs Department, Government Information Technology Services Department and Department of Government Investment and Public Enterprises. This was against the Public Service Recruitment and Training Policy of May 2005 that outlined development and the regular review of scheme of service and career progression guidelines in facilitating upward staff mobility and succession management. Schemes of Service have since been developed for all the above departments. Others were inadequate capacity (skills) and lack of Legal Framework in some departments like the internal audit department. As part of the strategic plan, capacity development strategies will involve; Review of the schemes of service for various cadres in the ministry to make them more attractive and competitive with a view to ensuring recruitment and retention of competent staff. This is estimated to cost Kshs five Million, Implement an effective performance management system, provide a conducive working environment, Respond adequately to HIV and AIDS.

According to Financial Secretary, the current structure within the Ministry is adequate to implement the strategy but there are some departments within the Ministry that require restructuring for maximum output. Such departments are; The finance department, Central planning unit, Accountant General's department and the pensions department.

4.3.3 Communication and Strategy Implementation

Communication mechanisms were found to exist. According to Director of Administration, the common means of communication within the Ministry and its departments are through meetings, both departmental and senior managements, as well as through memos, circulars, E-mails and reports. However, communication policy was lacking in the Ministry. The equipment for communication was found to be available such as flash disks, computers, faxes and phones. It was found that communication moves through the hierarchy of authority which is the official reporting lines.

Communication also faced other challenges. For example lack of scheduled meetings in Economic Affairs Department, lack of effective horizontal communication, receiving a lot of mails, and reply of mails within two days and reporting, lack of phones to communicate with the outside world in External Resources Department, lack of updated website, uncoordinated release of departmental information and according to Director of Budget and Supplies Department, communication between departments and stakeholders was taking too long, and a new transport policy affected departments because of centralized transportation.

4.3.4 Culture and Strategy Implementation.

Generally, it was observed that there was positive attitude of employees towards work at the middle and lower levels. The findings were that the employees did not specifically know of existence of the strategic plan basically because the plans have been centralized into work plans. This means that employees perform their roles in the strategy through the individual work plans. Other employees' works were routine and wouldn't know of the strategic plans.

To ensure that the staff was relevant for the strategic plan implementation, deficiencies were identified and where necessary training of staff and hiring of new officers was done. For example Public Financial Management Officers, statisticians, Tax specialists and Economists were hired to bolster some departments. Also training of staff in ICT was done. GITS staffs were retrained to make them relevant for the Ministry's plans of developing capacity to efficiently utilize ICT

The Ministry was found to be having a training policy that requires each employee to be trained for at least five days in a year (public Service Recruitment and Training Policy 2005). The output after training was not matching investment in some departments. However, some departments have been able to justify their training expenses. For example Debt Management department, because of the specialized nature of their work, require special training. After training, the employees were found to be productive in their areas of operation. Culture, also was faced with some challenges. These included:-

Disparity of Pay/Remuneration, evident in difference of pay to officers seconded from outside who are better rewarded as opposed to those within the Ministry system which affects morale of members of staff, this was noted to be so in the Department of Debt Management, Economic Affairs Department and department of Government Investment and Public Enterprises; the Director of Administration stated that most officers expect meals allowances for extra work done which they justify with the low pay. The ministry does not have a documented reward policy.

4.3.5 Resource Mobilization and Strategy Implementation at the Ministry of Finance

Resources mobilization as a challenge was adequately handled by the Ministry. For instance, the Ministry gets its funds for implementation through budgetary allocation. The Utilization of these funds was done through the approved budgets. In terms of access to, utilization of resources, it was observed that each department had a budgetary allocation. Most of the allocations are based on each department's budget depending on their projected activities for the year. The budgets are appraised to certify their viability and the reality on the ground. Even then, the allocations to departments were adequate. For ensuring that resources are spent appropriately, and for accurate recording, the Ministry has put in place Integrated Financial Management Information System (IFMIS) that will assist in monitoring and supervision of resources allocated to the Ministries and government department.

The resource mobilization and utilization was also faced with some challenges. For example some state corporations required guarantees from the Ministry of finance to enable them borrow from the external market. Some of these requests were not possible given the level of the Ministry's commitment. Other challenges in resources mobilization include:

Low level compliance of potential tax payers and some tax payers not complying with payment of their tax obligations, as all are not covered in the tax net e.g. many Kenyans employed in the informal sector who are earning huge incomes but are not paying taxes; (strategic plan 2009-2012); others were lengthy procedures in procurement process being challenge in utilization of resources; and Budgets may not provide departments with outlined and anticipated resource allocations, thus limiting the departments' effectiveness.

4.4 Measures to Deal with Challenges

4.4.1 Structure

The Ministry of Finance, having identified various challenges during the implementation of the Strategic Plan 2009-2012, came up with possible solutions to these challenges. The challenges of structure were dealt with in different ways. For example, the issue of non attractive and non competitive Schemes of Service by all the departments interviewed was addressed. The departments of Economic Affairs, Government Investments and Public Enterprises, Debt Management have all reviewed their schemes of service to make them competitive. These schemes of service sought to address issues such as disparities in remuneration within the Ministry; no clear career development paths and proposals of establishment in different departments.

The study established that the new staff, especially those seconded from the Central Bank of Kenya and the Kenya Revenue Authority, are paid a higher salary than their counterparts in the mainstream ministry of Finance. This created resentment among the employees impairing the smooth implementation of plans as the morale of those in the system is low. Also noted along these lines were the tendencies of staff expecting meals allowances whenever they did any extra work. The Director of Administration indicated that, this they justified with their low pay even though the low pay may not be particularly the real reason but an excuse.

There was also inadequate balanced staff between technical and non-technical staff. It was established that the ratio of technical staff to non-technical staff did not take cognizance of the technicality of the work of the Ministry because the former was not balanced with the latter. This may have partly been addressed by outsourcing some services as cleaning, security and waste disposal. But to address the issue fully, Schemes of Services were approved which established requirement for technical and support staff.

There was also inadequate staff and inadequate capacity in some key departments such as the Economic Affairs Department (EAD) and Debt Management department (DMD). This has been addressed by the proposal to create various divisions within the Economic Affairs Department namely fiscal Policy, Macro and Financial Sector Division, and Fiscal Administration and Private Sector issues division. The operationalization of these was hinged in the approval of the scheme of service by the DPM. The Debt department also adopted the same approach and proposed to reorganize itself into three sections namely:-

Front Office: to deal with borrowing and market relations, Middle office: to deal with analysis and, Back office: dealing with data recording and settlement. The proposal was contained in their proposed scheme of service which was approved by DPM.

4.2.2 Communication

There were various challenges identified in the Ministry which were related to communication. These ranged from lack of scheduled meetings, lack of horizontal communication to non-availability of communication equipment and lack of communication policy.

Most of these challenges have been addressed by various means. For example, according to Financial Secretary, the departments have been encouraged to hold frequent team building exercises. Few departments have embraced it, like Department of Government Investment and Public Enterprises (DGIPE) and Administration department. Other measures undertaken to improve communication include the facilitation of HODs with Airtime, mobile phones, Laptops, Desktop computers as well as the availability in offices of Fax machines and internet services. However, much still needs to be done to address the issue.

4.4.3 Culture

It was established from the study that generally, the morale of employees is high. However, there were some inherent deficiencies on employees requiring to be addressed. The issue of disparity in pay is an important factor that influences a person's ability to perform enthusiastically. The Ministry's response, as has been aforesaid, was to prepare a scheme of service for each department. The proposed schemes of service were forwarded to DPM for action.

There has also been capacity building exercises done like the training of Data Machine operators to be ICT Officers. The preparation of the Data Centre Network for entire government and the Integrated Financial Management Information Systems (IFMIS) has also made it easy for the employees to work effectively.

4.5 Discussion of the Findings

This study had two research questions; has the Ministry of Finance faced any challenges in the implementation of the Strategic Plan 2009-2012, and what intervention measures has the Ministry put in place to deal with these challenges?

In the implementation process of the Strategic Plan 2009-2012, the Ministry was faced with a number of challenges. For example on the issue of process aligned structure, a number of challenges have emerged. Unattractive Schemes of Services in a number of departments in the Ministry. All the six departments from which information was collected, did not have attractive Schemes of Service translating to 100%.

Inadequate balanced staff between technical and non-technical staff in certain departments was also identified as a challenge of the departments interviewed, 67% had this problem. For example, in other countries the debt issues are handled by economists and in Kenya the Debt department does not have economists which has resulted in the support staff i.e. Accountants, and administrators, being inducted to perform the core function of the department. The Investments department proposed an increase from the current 5 personnel to 30 in its new Scheme of Service. This was occasioned by inadequate capacity and the number of critical transactions pending with the department. In fact, to highlight this need, a number of officers were brought in from other departments to come and assist. Thomson and Strickland (2001) outlined principle tasks of strategy implementation.

Another challenge identified was that of Lack of Capacity in terms of skills. In the Debt and Investments departments, for instance, there was lack of qualified financial analysts. The personnel currently doing the work require training and when they are trained they are poached by banks. It is expected that the implementation of the Scheme of Service will help solve this problem. The Government Information Technology department within the Ministry also lacked capacity for the new technology which was being introduced in the Ministry of Finance. The Communication Technology Officers which required that they be retrained to conform to the new need.

Lack of Legal Framework in some departments was also a challenge. For example the department of Debt was created from Economic Affairs department and is yet to come up with a Cabinet memo for approval for its legal existence.

Other challenges identified were high staff turnover to international organizations; duplicating activities (especially evident between budget and Economic Affairs who are involved in monitoring and evaluation) and upward mobility taking long.

Challenges were also evident in the area of communication. Firstly, it was noted that there was lack of communication policy within the Ministry. Secondly, there was lack of scheduled meetings which was identified as a challenge in the Economic Affairs department. Horizontal communication among heads of departments was also missing. This could be as a result of the lack of communication policy which would define and encourage communication and David (2001) states that strategy implementation requires good coordination among individuals and managing forces during action. All the departments within the Ministry complained on the numerous mails being received which required to be acted upon within two days. This requirement of two days was found to be impracticable as the heads of department could not meet this because of other duties.

In general there was adequate communication equipment for all the departments except the External Resources Department and Budgetary Supplies Department. These departments communicate with the external world and internally with private sector stakeholders locally which requires that they get enough airtime. This was found to be lacking. In implementing the strategies, the organizations are faced with challenges in their environment and they overcome them in the process if they communicate as stressed by Thomson and Strickland (2001).

Lack of updated website, uncoordinated release of departmental information, communication between departments and stakeholders taking too long and new transport policy which affects departments because of the centralized transportation were other challenges faced by the Ministry in communication.

In terms of culture, one of the main challenges was that of Disparity of Pay/Remuneration. This was evident in the officers seconded from KRA and Central Bank and Private Sector to the Investment, Debt and Economic Affairs departments, who received higher pay them the main stream officers within the departments. This means that the lower paid mainstreams workers were de-motivated.

David (2005) while looking at strategy implementation in a management perspective outline that revising reward and incentive plan, minimizing resistance to change, matching managers with strategies and developing strategy supportive culture as major issues in strategy implementation. The Ministry does not have a reward policy and lack of a clear career progression path. Reward policy for exemplary work does not exist meaning that employees were not encouraged to go the extra mile. The lack of upward mobility was evident in a number of staff stagnating in positions for as long as five years and above. This had the effect of reducing employee morale. To address these, a number of departments have initiated new schemes of service.

Other challenges related to getting employee's commitment were ensuring Ministry's obligations were met in time. e.g ensuring budgets are read before 20th June of every year and delivering appropriation accounts to Controller and Auditor General.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the results of the research work. It discusses the conclusions and recommendations. Secondary data and primary data are then compared with a view to coming up with results of the study. Limitations are also highlighted and recommendations provided both for the study and for future research.

5.2 Summary

This section summarizes the key challenges of strategy implementation in the Ministry of Finance as uncompetitive schemes of service inmost departments that were interviewed, inadequate balanced staff between technical and non technical staff, high staff turnover, lack of communication policy, receipt of numerous mails and responding within two days, lack of horizontal communication, disparity in pay/remuneration and lack of a clear reward policy.

5.3 Conclusions

This work has identified three major challenges. Firstly, inadequacy of the structure was identified as a challenge. This is evident in the lack of competitive Schemes of Service which is expected to address all the key structural issues when it is finally approved for implementation. This emphasis on structure is supported by the importance authors of strategic management placed in it. Pierce and Robinson (2005), for example explained that structure was key implementation element.

Secondly, communication policy was another factor found not to exist within the Ministry. This meant that the free flow of information could not be achieved. Some key implementation activities as identified by Thompson & Strickland (2001) such as relying on middle or lower level managers to get things done and building a capable organization, are largely dependent on the communication framework available.

Finally, there was no reward scheme and there existed disparity of pay. This has a direct bearing on building a team that works with enthusiasm towards achieving the strategic plan's objectives. David (2005) identified such factors as revising reward and incentive plan, minimizing resistance to change, matching managers with strategic and developing strategy supportive culture.

5.4 Limitations of the Study

The study was carried out in the Ministry of Finance and it was at a time when the World Bank mission was at the Ministry and this posed a lot of delay because there we respondents who were engaged with World Bank officials and getting their audience was difficult. There was also the issue of most of the respondents being involved in Budget preparations and discussions which limited their availability as respondents. In gathering of primary data some respondents were not willing to give information until they get clearance from the Permanent Secretary and Financial Secretary.

The study was carried out in the ministry of finance at a time when the country was experiencing a wave of industrial unrest occasioned by the teacher's , Doctor's and University lecturers' strikes where they were demanding pay rises. The dispute took more than half of the month of September 2012 to resolve. The key negotiators were Ministry of finance officials who were also supposed to be respondents in this research work.

5.5 Recommendations

It is recommended that in order for the Ministry of Finance to deal with challenges in its structure; the Schemes of Service that different departments within the Ministry have proposed take a critical look at the disparity in remunerations and positions within those establishments in terms of Job groups. The Job groups of different heads of departments should be harmonized bringing all heads of departments to the same level to avoid dissent or conflict among the Ministry of Finance leaders. This eventually will address the issue of disparity in remunerations/reward policy on remunerations should be adopted by the Ministry.

On communication, it is recommended that Ministry of Finance develops communication policy. While on the issue of challenges faced by a lot of mails received, it is recommended that the Ministry put a system that adopts digital format and stores the letters in a server for easier tracking and action by respective officers.

5.6 Suggestions for Further Research

There is need to undertake further research in Strategy Implementation in public sector. There are numerous plans written in public sector that requires to be implemented. There is also need for replication of the study to be done in public sector and any changes can be compared within different institutions in public organization.

There is also need to study how the concept of Scheme of Service in public sector (Central Government) Impacts on Service Delivery more so Strategy Implementation and the effect of rewards tied to performance.

5.7 Implication on Policy, Theory and Practice

In the country, the demand for public services has surpassed the resources to support their delivery. There has emerged a budget deficit that has grown over time. The government has thus resorted to domestic borrowing. This has effects on the interest rates which have sky rocketed affecting the overall economic performance. The issue of nonperforming loans has exploded and some banking operations severely affected. The government has been unable to service its external debt which is now about a trillion kshs, At the same time, public enterprises are performing poorly, thus requiring support from the government.

To address these problems, a number of reforms have been introduced. These are public finance management reforms, which are expected to streamline government revenue collections and expenditures. The financial sector is being reformed to enhance mobilization of resources for investment.

REFERENCES

Al Ghamdi, S. M. (1998), *Obstacles to successful implementation of strategic decisions: the British experience*. European Business Review, Vol 98, No. 6, pp. 322-327.

Ansoff, H.I. and McDonnell, E.J. (1990), *Implementing Strategic Management*, Second Edition, Prentice Hall London.

Awino Z. B. (2001), *Effectiveness and Problems of strategy Implementation and financing Higher Education in Kenya by the Higher Education Loans Board*

Bob De Witt and Ron Meyer (1994), *Strategy Process, Content, Context. A international Perspective*. Thomson Learning.London

Chandler, Alfred D. (1962), *Strategy and Structure,* M.I.T press

David, Fred R. (2001), *Strategic Management – Concepts and Cases.*

Government of Kenya (2005), *Recruitment and Training Policy*– Government Press

Government of Kenya (2006), *The Public Procurement and Disposal Act* – Government Press

Government of Kenya, (2007), *Development / Recurrent Expenditure* – Government Press

Government of Kenya, Ministry Finance (2000), *Rationalization and Rightsizing Report* – Government Press.

Government of Kenya, *Ministry of Finance.* (www.treasury.com).

Government of Kenya, Ministry of Planning (2001), *The Poverty Reduction Strategic Paper (PRSPP) of 2001-2004*

Government of Kenya, Ministry of Planning (2003), *The Economic Recovery Strategy for Wealth and Employment Creations (ERSWEC) of 2003-2007*

Hoffer C. A (1984), *Strategic Management: A case book in policy and Planning*, 2nd edition, Minnesota Publishing.

Johnson and Scholes, (2002), *Exploring corporate Strategy*. Prentice Hall Europe.
Kenya Government Press (2006), *Legal Notice Number 171 and 174*

Koske, F. K (2003), *Strategy Implementation and its Challenges in Public Corporations, A case of Telkom Kenya.*

Machuki, V. N. (2005), *Challenges to Strategy Implementation, A case of CMC Motors Group Ltd.*

Nyandiere, Clement (2002), *An Investigation of the Challenges facing Enterprise Resource Planning Systems (ERPS) and Implementation in Kenya.*

Okumus, F. (2003), *"A framework to implement strategies in organizations"*. Management Decision, Vol. 4, No. 9, pp.871-882.

Raps, A. (2005), *"Strategy Implementation – an Insurmountable obstacles?"* Handbook of Business Strategy, pp, 141-146.

Schaap (2006, *Role of Leadership in Successful Strategy Implementation, A study of the Nevada Gaming Industry.*

APPENDIX I

LETTER OF INTRODUCTION

JOHN K. MUCHIRA
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI
P.O. BOX 30197
NAIROBI

Dated 30th August, 2012

Dear Respondent,

<u>REF: INTERVIEW</u>

I am currently undertaking a postgraduate course on strategic management at the University of Nairobi, School of Business.

In order to fulfill the degree requirement, I am undertaking a research project as part of the academic requirements towards completion of the course. You have been selected to be part of this study.

This is to kindly request you to assist me by availing yourself to answer the interview questions that I will ask. The information that you provide will be availed to you upon request.

Your co-operation will be highly appreciated.

Thank you in advance.

Yours faithfully

John K. Muchira
MBA Student
School of Business
University of Nairobi

Dr. John Yabs
Lecturer/Supervisor
School of Business
University of Nairobi

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 28/08/2012

TO WHOM IT MAY CONCERN

The bearer of this letter MUCHIRA JOHN KIBUCHI

Registration No. D61/74741/2009

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
28 AUG 2012
MBA OFFICE
P.O. Box 30197 – 00100, NAIROBI

IMMACULATE OMANO

APPENDIX II

Letter of Acceptance from Ministry of Finance to Collect Data

REPUBLIC OF KENYA

OFFICE OF
THE DEPUTY PRIME MINISTER AND
MINISTRY OF FINANCE

30th August, 2012

Dear Sir/Madam

RE: MASTER OF BUSINESS ADMINISTRATION DATA COLLECTION

Kindly allow **John Muchira,** bearer of ID number **14705552** to collect data by way of an interview for his Master of Business Administration project from your Department.

Your co-operation will be highly appreciated.

Yours Faithfully,

DIANA MAMBO (MRS)

DIRECTOR, HUMAN RESOURCE MANAGEMENT

APPENDIX III

INTERVIEW GUIDE

SECRETARIES

1. What are the broad objectives of the strategic Plan 2009-2012?
   What part of these objectives do you play a role in?
2. In an effort to implement these objectives, what action plans have the ministry put in place?
3. Are the strategic objectives general or specific to each department?
4. What specific action plans have you put in place to ensure each department performs its role effectively?
5. Does the ministry maintain resource management systems to ensure proper utilization of funds, accountability, financial monitoring and efficient reporting, all geared towards successfully strategy implementation? Comment briefly on how each of these aspects is ensured.
6. What is your general comment on the overall resource mobilization in terms of access to, and utilization of, resources to enhance implementation of strategy?
7. Were these structural changes occasioned by the strategic Plan? Which were they and why were they necessary?
8. Do you think the current structure is adequate? If not what adjustments do you expect to take place for the successful implementation of strategy?
9. Was it necessary to acquire new employees or retrain the old ones?
   What key competencies were required from the employees?
10. Does the ministry have a documented reward policy? How does the policy (if any) support the implementation of strategy?
11. Comment on the various challenges that may have been faced on each of the following:-
    (i) Communication
    (ii) Structure
    (iii) Culture

APPENDIX IV

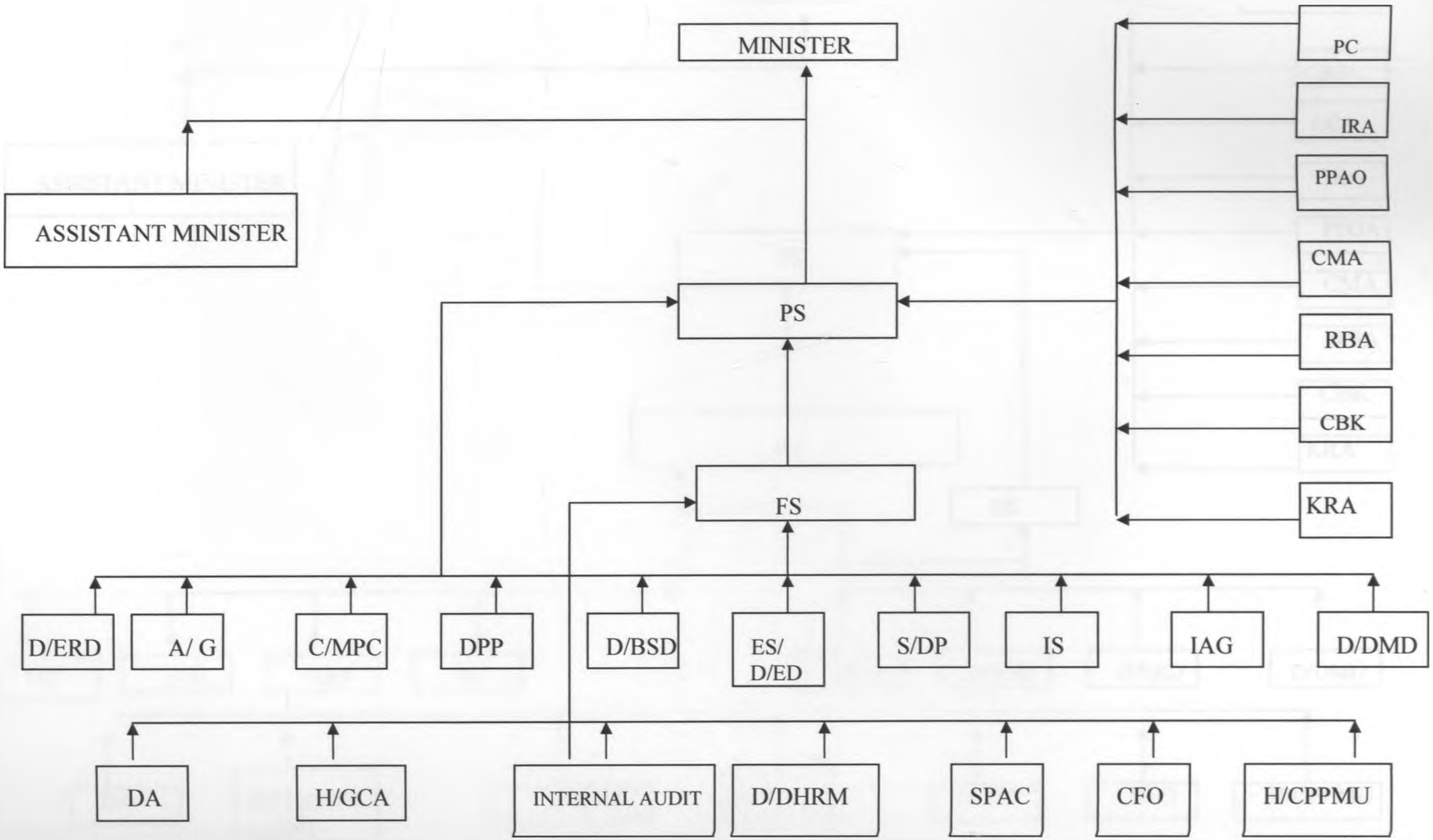
INTERVIEW GUIDE

HEADS OF DEPARTMENT

1. What are the broad objectives of the strategic Plan 2009-2012?
   What part of these objectives do you play a role in?
2. In an effort to implement these objectives, what action plans have the ministry put in place?
3. Are the strategic objectives general or specific to each department?
4. What specific action plans have you put in place to ensure each department performs its role effectively?
5. Does the ministry maintain resource management systems to ensure proper utilization of funds, accountability, financial monitoring and efficient reporting, all geared towards successfully strategy implementation? Comment briefly on how each of these aspects is ensured.
6. What is your general comment on the overall resource mobilization in terms of access to, and utilization of, resources to enhance implementation of strategy?
7. Were these structural changes occasioned by the strategic Plan? Which were they and why were they necessary?
8. Do you think the current structure is adequate? If not what adjustments do you expect to take place for the successful implementation of strategy?
9. Was it necessary to acquire new employees or retrain the old ones?
   What key competencies were required from the employees?
10. Does the ministry have a documented reward policy? How does the policy (if any) support the implementation of strategy?
11. Comment on the various challenges that may have been faced on each of the following:-
    (i) Communication
    (ii) Structure
    (iii) Culture
12. What actions were put in place to deal with each of these challenges?

Figure 1

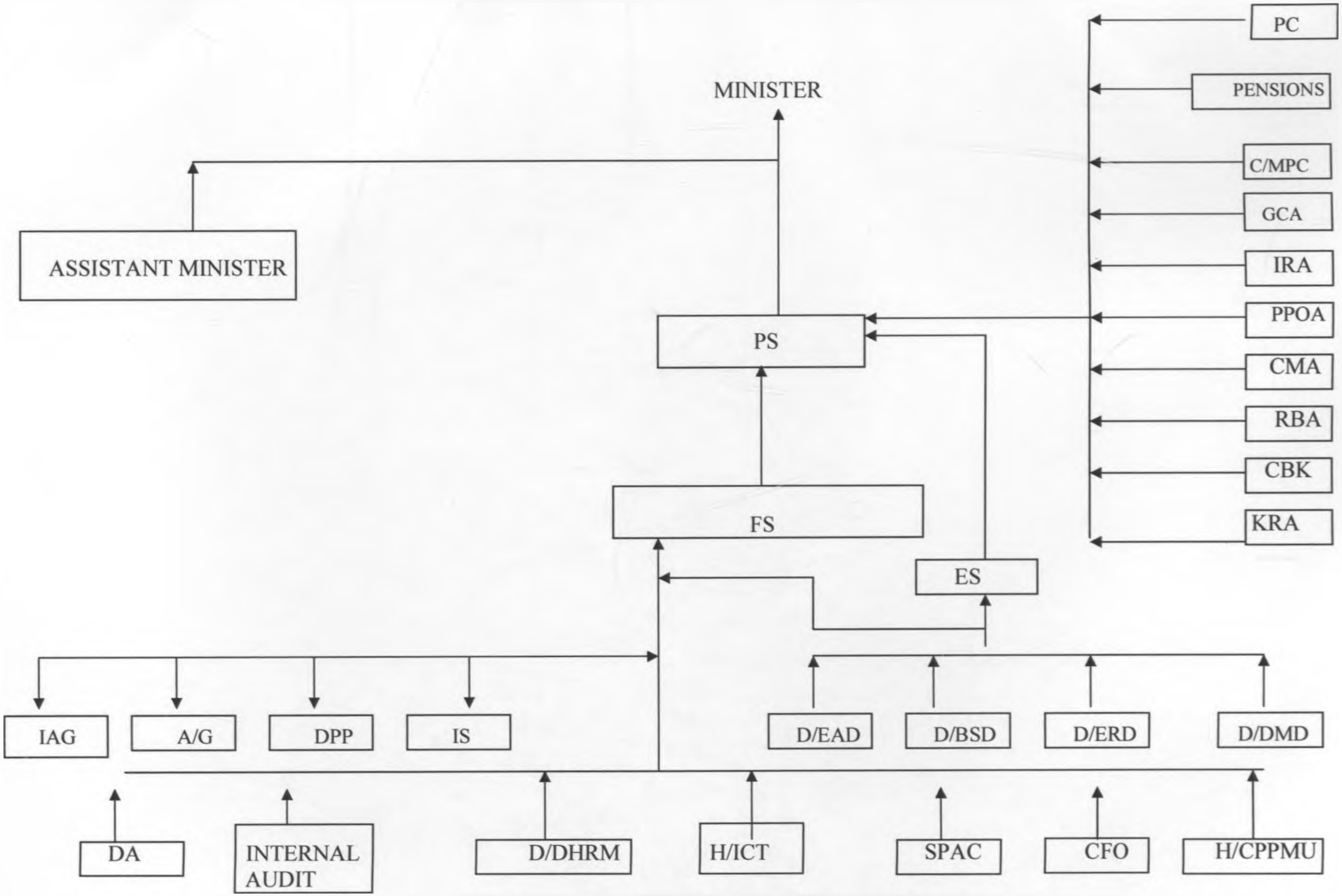
Current organization structure for the ministry of Finance



Source: Ministry of Finance Strategic Plan 2009 - 2012

Figure II

Proposed organization structure for the ministry of finance



Source: Ministry of Finance Strategic Plan 2009 - 2012