STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF LAPFUND AS A STATE CORPORATION IN KENYA

SANG LORNA CHEMUTAI

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DECLARATION

I declare that this research proposal is my original and has not in its entirety or in part been submitted to this or any other university.

Signature: ………………………   Date: ……………………………

LORNA C. SANG

D61/81873/2015

This research proposal has been submitted with my approval as the university supervisor

Signature: …………………………   Date: ………………………………

Name: PROF MARTIN OGUTU

Department of Business Administration

School of Business

University of Nairobi

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DEDICATION

This research project is dedicated to my parents Mr and Mrs. Lagat for the financial and moral support and to my siblings Winnie, Faith and Joy for the love and understanding. To my fiancé Caleb and close friend Hezron for your advice and encouragement. I am forever grateful.

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ABBREVIATIONS AND ACRONYMS

LAPFUND	:	Local Authorities Provident Fund
MoLG	:	Ministry of Local Government
RBA	:	Retirement Benefit Authority
RBV	:	Resource Based View
VRIN	:	Valuable, Rare, Inimitable and non-substitutable
NGOs	:	Non-Governmental Organisations
SMEs	:	Small and Medium Scale Enterprises
ROI	:	Return on investments

ABSTRACT

Conceptually, the adoption and implementation of strategic management practices allow organizations to understand and identify their position in the market strategically by managing both current strategies as well as choosing future ones appropriately. Organizational performance success relies on adequate implementation of strategic management. Strategic management however needs efficient processes and systems in order to counter certain unpredictable occurrences that may sustain operations and at the same time minimizing associated risks. Empirical and theoretical evidence indicate that implementation of strategic management systems can ultimately lead to an improvement in the organizational performance. The purpose of this research was to establish the relationship between strategic management practices and performance in state corporations. The study used a case-technique and targeted LAPFUND and its employees in order to determine the relationship between strategic management and performance in the organization. The study focused on 6 managers who have worked at LAPFUND for the last two years during the data collection. The study established that LAPFUND had incorporated strategic management practices in regard to their formulation of strategies, analysis of situations, as well as in evaluation and implementation. This research paper also found that strategic management techniques positively impact organizational performance, however, success of the strategies rely on the kind of system in place. Further, the report recommended that government ought to divest from industrial as well as commercial investments and instead bring active participation to citizens through shareholding and at the same time, recognize legal and institutional frameworks. The research also recommended that state corporations be including employees in making critical and long-term decisions that affected the entire company.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Implementing strategic performance management is not an easy task for any organisation. Thomas, Hunger, Hoffman, and Bamford (2014) opined that a winning strategy must fit the organisation's external and internal situations, build a sustainable competitive advantage and improve the organisation's performance. Like other organisations, state corporations are also influenced by strategic performance management, whereby those that lack a defined performance management strategy are more likely to have below average organisational performance compared to those that have it (Lewa, Mutuku, & Mutuku, 2009). This is because all organisations face many threats within the internal and external environment, which include technology change, mismanagement and competition (Green & Heywood, 2007). Consequently, like other organisations, state corporations have to continuously create new sources of competitive advantage. This includes using competitive strategies to scan and adapt better to the environment through models like SWOT and Porter's five forces (Magretta, 2011).

This study is anchored on three theoretical aspects. According to Braton & Ahlstrom (2010), institutional theory views institutions as a social structure that works guided by elements of routines, rules, schemes, regulations and norms that are created and adopted to provide organisational stability. In the context of organisations, strategies can help the management create order for its internal and external stakeholders, including employees, investors and the community in which the organisations exist, thus creating a stable institution. Comparatively, according to Higgins and Rowland (2005), the 8S model points out that organisational strategy should be executed in a cross-sectional manner. The model outlines strategy, structure, systems and processes, style of management and leadership, staff, resources, shared values or organisational culture, and strategic performance, all of which need to be aligned if the organisation is to succeed and perform positively.

The Resource Based View, on the other hand, focuses on the firm's resources and aligning them to overcome factors that affect the organisation (Priem and Butler, 2001). In Kenya, state corporations play a critical role in ensuring that the government delivers its mandate to the public as instituted in the State Corporations Act of 2016. One such organisation is the LAPFUND, established in 1960 to provide retirement benefit schemes to registered members who work for government organisations. Like other state corporations in Kenya, it has been faced with a number of challenges that include misappropriations of funds, perennial loses, debts, among others and all these problems are associated with poor leadership and management practices (Lewa, Mutuku, & Mutuku, 2009). This has been the case until the advent of performance contracting that demanded that planning be done at the strategic levels (Lewa, Mutuku, & Mutuku, 2009). Against such a background, this study aims to investigate strategic management practices of LAPFUND and how they influence its performance.

1.1.1 Concept of Strategic Management Practices

Strategic management practices involve identifying the organisation's vision, mission and objectives, conducting a SWOT analysis, developing long term objectives and short-term operational plans, strategy formulation and implementation, and lastly, effective evaluation and control of the implementation process (Beaudan, 2012). The practices of strategic management influences organisational performance and it can be measured. This can be done through improving asset growth, sales revenue volume, competitive advantage, gaining market share and enhancing profitability of the organisation.

Few organizations can elude the confrontation of change and most have to change or risk failure. Therefore, effective strategic management is vital to redressing spasmodic business environment while sustaining the organisation's competitive position in the marketplace. The phenomenon of strategic management and organisational performance is therefore essential to be investigated empirically for further insights in their relationships and impact on organisational performance (Ansoff & Nakamura, 2007).

Mintzberg, Lample, Quinn, & Ghoshal (2002) also agree that for a strategy to succeed, it is important for an organisation to implement some kind of strategy, and it has to have direction because the lack of a directional strategy leaves the managers and employees with nothing to implement, which makes it impossible to know whether or not goals are realized. This is why strategic intentions are directly linked to strategic management.

1.1.2 Concept of Organisation Performance

Cascio (2014) defines organisational performance as the degree of attainment of jobs mission as measurement in terms of job outcome, customer link, quality service and intangible outcomes. Borman and Schmit (2015) indicate that performance is a multi-dimensional construct whose measurement is based on several factors. Brumbach (2008) consider organisational performance to exhibit both results and organisational behaviour, which is a different performance metric that is measurable apart from results.

According to Pinder (2008), performance measurement is used synonymously with performance appraisal, and it is the main responsibility of any human resource function. Amar (2012) argue that performance is a critical aspect of an organisation and that all efforts to improve effectiveness and efficiency are usually geared towards improving performance of an organisation. These efforts include managing employees, determining issues that are negatively influencing performance, and forming ways to address them.

Performance also involves finding ways through which performance can be improved by leveraging technology, the competition, internal resources and other internal and external factors (Green & Heywood, 2007).

1.1.3 Overview of State Corporations in Kenya

State corporations in Kenya are established by the president by order to perform the functions dictated in that order according to the State Corporations Act (Atieno, 2009). The corporations typically fall under the various ministries within the country, and they receive their funding from the treasury. Following Kenya’s independence, there was need to establish state corporations (also known as parastatals) to boost economic growth, create economic balance, increase citizens’ participation, promote entrepreneurship among locals, and increase foreign direct investments by partnering with foreign organisations. This need was published in the sessional part number 10 of 1965. After their formation, review of the performance of state corporations began actively in 1979 and was repeated again in 1982 (Klaus, 1979; Ndegwa, 1982). These reviews brought out a number of issues to the lime light. It emerged that state parastatals had grown, but there was no commensurate growth of systems to measure their efficiency.

It was also noted that this lack of systems led to many problems, including lack of efficiency in delivering mandates, mismanagement of funds, malpractices, as well as wastage of resources of the organisations across the various state corporations in Kenya. Moreover, instead of discharging their duties, the state corporations had relegated the tasks to organisations private sector, thus remaining as bringing confusion. It was also found that politics had crept into the issue and it was being used to create far too many parastatals (Privatization Commission, 2018).

The reports recommended that the government should divest from industrial and commercial investments and bring active participation to citizens through shareholding and at the same time, recognize legal and institutional frameworks. Since then, several steps have been taken to help improve the performance of state corporations but challenges still about. As of 2018, there were 180 state corporations, out of which 69 had no board of directors, thus creating a management crisis given that they receive billions of shillings annually from treasury for operations. 30 of them, representing 16.7%, lack a chief executive officers because there is no board to appoint one, including NCA and KPA, with NHIF and NSSF CEOs having been appointed only recently (Njagih, 2018).

1.1.4 Local Authorities Provident Fund (LAPFUND) in Kenya

The Local Authorities Provident Fund is a defined contribution retirement benefit scheme catering for employees from all local authorities as well as water organisations in Kenya. It is a corporate body operating under an Act of parliament Cap 272 Laws of Kenya to receive administer and manage retirement benefits of county government and water organisations in line with the provision of the RBA Act 1997 (LAPFUND, 2018). Political patronage played a part in contributing to the slow growth of the scheme. Ruling party's elites appointed chief officers in the local authorities to represent their interests rather than the interests of the citizens (Atieno, 2009). There was management by exception and total lack of strategic planning, leading to ad hoc decision-making processes focused only on reacting after a problem had occurred. This undermined the scheme efforts to ensure member contributions were remitted on time and that funds were available for investment to the benefit of the contributors (LAPFUND, 2018).

As at June 2007, the scheme was owed well over KES two billion in outstanding contributions by the local authorities. The scheme growth has been tremendously growing from KES 3.7 billion in 2008 to the current KES. 31 billion worth of assets that is made up of real estate, corporate bond, short term deposits, equities, and treasury bills (Shanyisa, 2017). LAPFUND head office is located on the 8th Floor of ICEA building along Kenyatta Avenue, Nairobi; with 6 regional offices in Mombasa, Kisumu, Nyeri and Nakuru, Isiolo and Garissa (LAPFUND, 2018).

LAPFUND therefore became the retirement scheme for the Africans working in the local authorities contributing 5% of the basic salary with the employer contributing the same amount. It was not compulsory to all Africans and as a consequence only a few who understood the importance of saving for their retirement took advantage of this benefit.

This translated to less contribution and brought issues of sustainability. Given these difficulties, it was provided that the employers reimburse the scheme administration expenses to ensure continued sustainability. With independence in 1963 came the first opportunity for the scheme's growth; the exit of the colonialists meant that those senior positions earlier held by the Europeans fell to the Africans which translated to increased contributions and thus more funds for scheme investment. The existence of the scheme has been marred by various challenges most of which were posed by the environment. The local government fraternity and have accounted for the slow growth in the early stages of the scheme's establishment. Most factors affecting the structure of these institutions also influenced survival of the retirement scheme (LAPFUND, 2018).

The study focuses on LAPFUND because, since the year 2010, it embarked on plans to institute reform at all levels of management (Shanyisa, 2017). This requires development of a strategic orientation and execution of strategies capable of moving the organisation to their desired future states. The LAPFUND should engage in practical strategic management, which involves making right choices about the future of the organisation. The process results in strategic plans that require execution or implementation under the stewardship of strategic behavior (Taiwo and Iudnnu, 2010). Strategic management is a tool that LAPFUND can use to find its competitive advantage and place within the everturbulent operating environment. This study therefore seeks to examine how these strategic management practices have so far influenced its performance.

1.2 Research Problem

Organisational performance is influenced by the practices implemented by its stakeholders (Sagwa, 2002). By having clear strategic practices across all organisational departments, the organisation can achieve improved performance because the goals are clearer, organisational culture is proactive, employees are motivated and the systems for measuring and evaluating performance are clearly defined. Thus, strategic management plans are not only essential to proper agency management, but they also are now often necessary in order for an agency to be effective and efficient. This is because strategic management goes beyond defending a balance sheet and simply avoiding all risks. The process prepares organisations to address market forces that threaten them with lost market share, contraction and ultimately business failure (Pearce & Robinson, 2011). On the other hand, without strategic management practices that are clearly implemented and evaluated, an organisation's performance will be diminished.

Organisational performance is also influenced by an organisation's internal and external environment. In Kenya, as in many African countries with low accountability levels, managers in state corporations have been unable to deliver their expected mandates in a proactive approach and instead remain incapacitated by the myopic approach of waiting for problems to surface then dealing with it (Mwangi, 2013). This point out a clear picture why strategic management is critical to organisational performance, especially in state corporations where the financing comes from the treasury and not direct investors who can pile pressure on the management and board to deliver high returns (Kanini, 2012). Lacking in this, cases emerge where billions of funds have been found missing, ghost workers have been employed, and projects have been abandoned midway.

Despite the evidence that Kenyan state corporations are plagued by poor performance, few studies have been done in the country that have delved into state corporations' poor performance in relation to strategic management practices and none of them focused on LAPFUND. Umbindyo (2013) studied the competitive strategies adopted by LAPFUND. However, the author fails to link it to the planning practices adopted by LAPFUND in realizing the organisations performance. As much as Shanyisa (2017) studied the influence of perceived effectiveness of balanced scorecard system on employee performance at LAPFUND, the study focused on only one of the major stakeholders within the organisation, thus failing to focus on the organisation as a whole in reference to the strategic planning practices.

Lawson et al. (2015) studied strategic management and how it influences buyer performance by focusing on UK manufacturing companies. However, the study focused solely on strategic purchasing and supply management practices with the assumption that corporate governance of the organisation is in order. Comparatively, Nair, Jayaram, and Das (2015) studied the influence of strategic management on strategic performance in Asian markets. However, they focus only on the supply chain, such as strategic purchasing participation, supplier selection, supplier evaluation and purchasing performance. All these studies fail to address the relationship between strategic performance management and also how it influences performance of an organisation, rather than just a division or department within the organisation. Further, none of them has focused on LAPFUND. Therefore, the purpose of the study will be to fill the knowledge gap and answer a core question. Have the strategic management practices adopted in LAPFUND over the years led to improved performance of the organisation?

1.3 Research Objectives

The main objective of the study is to establish the relationship between strategic management practices and performance of Local Authority Provident Fund as a state corporation. The specific objectives are:

i. To establish the strategic management practice adopted by Local Authority Provident Fund
ii. To determine how strategic management practices, influence performance of Local Authority Provident Fund

1.4 Value of the Study

Implementing strategic management is not an easy task for any state corporation, mainly because of the challenge in balancing between the demands of different stakeholders, including customer needs, government expectations, employee satisfaction, and management vision for the organisation. Thomas, Hunger, Hoffman, and Bamford (2014) opined that a winning strategy must fit the organisation's external and internal situations, build a sustainable competitive advantage and improve the organisation's performance by ensuring that all stakeholders benefit. Thus, investigating the strategic planning practices and performance at LAPFUND was be useful in helping it not only identify its stakeholder, but also know how to prioritize them and meet their needs, which is a core function of the organisation.

Furthermore, the study offered a platform for reviewing strategic planning practices in LAPFUND with the goal of offering ways for improving it. As Magretta (2011) asserted, understanding the environment is a critical step towards achieving strategic performance. Thus, by studying the environment of LAPFUND, the study not only established the relationship between strategic planning practices and performance of LAPFUND, but also point out ways of improvement. This includes the values that managers should adopt in their line of operation so as to formulate strategies and make informed decision that is inclined towards better performance and improvement. The findings of the study also identified which strategic management practices are most suitable for state corporations in general and LAPFUND in particular.

Other than the practical relevance, the study is also of value to the theoretical understanding of strategic performance and its influence on organisational performance. By offering a critical review of past literature, this study provided relevant information necessary in formulating policies and regulations regarding the operating environment in the retirement benefits industry. This helps in raising important issues, but also bridging literature gap.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives an elaborate review of the relevant literature related to the study. The chapter is composed of the theoretical foundations on strategic management practices and organisation performance. The chapter also discusses the relationship between performance and strategic management practices in extant theory. The last section of the chapter is a summative conclusion identifying the knowledge gap.

2.2 Theoretical Foundation

This study is guided by the following theories; the eight S model theory, institutional theory and resource-based view theory and these theories try to explain how strategic management practices affect corporate performance at LAPFUND.

2.2.1 Eight S model

The Eight S model is an adaption from the Waterman's Seven model or MacKinsey's 7-s model. The 7-S model was coined by Robert H. Waterman, Jr and Thomas J. Peters in 1982, while the 8 S model was developed by Higgins in 2005 (Bhatti, 2011). Notably, 7 S the model expressed more support for managerial framework and functions including organizing, planning, staffing, controlling and leading. On the other hand, Higgin's 8 S model gives more emphasis on cross-functional way of thinking. It is a revised strategy of execution that's cut across an organisation and needs to fulfil eight functions.

Higgins (2005) opines that an organisation should put in place a structure, which encompasses the human resources. It means jobs, job groups, authority, delegation, field units, head office, departments, control, and operation procedures and ensures that they are all harmonised. Organisations geared for success also ought to have systems and processes to oversee daily operations, and they include strategic planning systems, capital budgeting systems, information systems, manufacturing processes, quality control. Performance measurement and reward systems are also involved. There should also be a clear style of leadership and management, which govern managers or leaders when they relate to their subordinates or other employees. An organisation must also have objectively selected staff to fill all available job positions as employees are human assets in the organisation usually synergized with strategic change or strategic intent.

Another critical strategic practice is amassing an adequate resource that helps in achieving the strategy, including employees, finances and technology. An organisation ought also to have shared values, which are the cultural aspects which are unique to the organisation. Management of these values is critical and is a valuable artifact for that successfully inspires success and positive organisation change. Lastly, the model argues that an organisation ought also to focus towards attaining strategic performance, which measures not just the financial the performance attained, but also effectiveness and efficiency at all levels and departments of the organisation (Higgins and Rowland, 2005).

The advantage of this model is that it adds an important construct into strategic management that was not included in the original 7's framework, which is a resource. Resources, especially capital, is very central to the success of any organisation because it makes it possible for the management to mobilise their departments and structures towards achieving organisational goals (Nielsen, Martin and Powers, 2008). It also brings in the new aspect of strategic performance, which makes an organisation harmonise its operations and evaluate them more wholesomely. On the other hand, the major weakness of the theory is that while it points significant elements within an organisation that need to be improved for success, it fails to show how this can be achieved through action plans. As such it must be used in tandem with other models (Lippit, 2007).

2.2.2 Institutional theory

Institutional theory focuses on how the external and internal environment of an organization influences its performance and comprises of old and new institutional theories.

The foundation of the Old Institutional Theory was developed by Selznick (1948). He considered organisations as organisms that need to continuously adopt in order to overcome threats from the environment by relying on its formal and informal structures. The New Institutional Theory was developed by Meyer and Rowan (1977), who further argued that organisations are rational and as such, they have goals and are formal, and in dealing with the pressures from the environment, they adapt systems, beliefs and cultures that, with time, become coded into the overall organisational structures that make them legitimate.

The strength of this theory is that it manages to explain why organisations have structures, systems and cultures, which make one organisation unique from the other. Additionally, it points out that, in order to succeed, organisations need to be rational and goal-driven (Kraatz and Zajac, 1996). On the other hand, the underlying weakness of this theory is that it fails to explain how organisations adapt in the face of changing internal and external environment and competition from other organisations within the same environment. Additionally, the theory fails to account for individual goals that may drive an organisational success or failure, otherwise referred to as agency problems (Kraatz and Zajac, 1996).

2.2.3 Resource-based view theory

The theory was first developed by Barney in 1991 to provide a managerial framework in determining strategic resources boosting the organisation's competitive advantage (Barney, et al. 2007). His argument suggests that institutions are heterogeneous based on their possession of heterogeneous sources. It therefore means institutions can apply different strategies because of different source of resources. The theory puts more focus on the management aspect on the internal resources therefore identifying resources, competencies and capabilities so that it can deliver superior and competitive advantage (Kaplan and Norton 2008). According to Barney et al. (2007), the resource should be valuable, rare, inimitable and non-substitutable (VRIN) in order to sustain a direct competitive advantage against rivals.

Thus, the ability to achieve competitive advantage lies at the heart of strategic management and strategic marketing. The strength of this theory is that it offers strategists a way to evaluate potential factors to deploy and promote competitiveness. Its sustainability is based on resources that can be substituted owing to the fact that causal relationship between sources of advantage and progressive strategies are difficult to utilize.

On the other hand, the theory assumes that the resources within an organisation naturally exist, and as such, fails to offer managers or stakeholders some guidance on how resources can be developed or acquired before considering whether they meet some or all of the criteria outlined. Additionally, Priem and Butler (2001) argue that it is very challenging for any organisation to gather resources that fit the VRIN criteria given by the theory. Rupert (1991) also contends that the belief that organisations with a competitive advantage will always succeed is not always true, as the theory fails to consider other external factors that affect the organisation, including competition and other forces pointed out by Porter's Five Forces.

2.3. Strategic Management Practices and Organisational Performance

A range of studies have been done on strategic management practices and organisational performance, both in Kenya and elsewhere around the world. Lawson et al. (2015) studied strategic management by focusing on purchasing and supply management practices and how this affected performance of sales. They aimed at offering recommendation to organisations on how to improve the interest of buyers in organisation products. Their study focused on data from 111 executives from organisations operating in the United Kingdom gathered using questionnaires. They found that strategic practices used in managing purchases and supply had an indirect but significant impact on buyer performance and recommended that organisations should focus on improving long-term relationships with suppliers. This study was supported by later findings of Nair et al. (2015) who studied how strategic supplier management practices influenced purchasing performance.

Johnsen (2012) studied strategic management thinking in the public sector by using the Mintzberg's framework. The study aimed to answer the question whether strategic management is for all seasons and was based on data from 35 managers within public institutions in Norway. It found that the Norwegian public institutions relied hugely on strategic planning although there was evidence that a majority of the managers often downplayed the formality and mechanical planning that is often recommended by theorists in literature. Their findings were supported by earlier literature such as Boyne (2001) and Bryson (2011). They noted that a wide range of reasons exist why organisations use strategic planning including as a government requirement in some countries which force red tape, and the need for better performance of employees within the organisation. However, the study focused purely on profit-based organisations and narrowed down specifically to purchase and supplies.

Bryson (2011) studied the impact of strategic management on the performance of NGOs. He argued that state corporations also relied on strategic management because they hoped to cut costs of operations while some organisations hoped to serve their customers faster. While their study focused on state corporations in Norway, it listed Mintzberg ten schools of thought, which are: design, planning, positioning, entrepreneurial, cognitive, learning, power, culture, environmental, and configuration schools all of which define strategy differently depending on the type of organisation and what it aims to achieve. However, this kind of a breakdown can be too confusing in practice and fail to offer the appropriate guidance to managers in organisations.

Arasa and K'obonyo (2012) studied the relationship between performance and strategic planning in state corporations in Kenya, arguing that most studies on the subject failed to account for the steps that make up strategic planning and instead evaluated the concept as a whole. Their study aimed at determining the relationship between performance and each step of strategic planning and relied on data from 31 Kenyan organisations analysed quantitatively in SPSS using correlations and regression analysis. They found that strategic planning has a positive relationship with performance, and it leads to increased performance in both financial indicators such as premium growth and profits, and non-financial performance indicators such as goal achievement and the analysis of the organisational environment. Their findings were in tandem with those of Sagwa (2002) and Mankins and Steele (2005). They also agree with the findings of Taiwo and Iudnnu (2010) who studied Nigerian organisations. While strategic planning is a critical success factor of strategic management, it is not the only component, and while the study by Arasa and K'Obonyo (2012) offer significant insight into the issue of strategic planning, it fails to acknowledge other areas of strategic management.

Onyango (2014) takes a holistic approach on the subject by focusing on strategic management practices adopted by a publicly traded organisation in Kenya between 2010 and 2012. By focusing on Kenya Commercial Bank (KCB) Limited, the author shows that strategic management practices aligned along six core steps, which include formulation of a mission and vision statements, situation analysis, creation of strategic objectives, analysis of strategic choices, implementation of the strategies and continuous evaluations and risk control. The study further showed that this management approach led to the organisation's success, making it the leading bank in the country in the period of study. In agreement with theoretical views of Hill and Jones (2001), the author also established that implementation of strategic practices in an organisation comes with many challenges, including financial constraints, lack of motivation when projects fail to meet targets as well as political, technological and economic challenges within the external environment. Their findings are aligned with the findings of Aosa (1992).

2.4. Summary of Literature and Knowledge Gap

The literature has discussed the 8 S model, institutional theory and resource-based view of the firm. While they have their own limitations, these theories establish that an organisation is influenced by both internal and external environmental factors, and that the success of an organisation depends on how the organisation is managed. The studies reviewed have all shown that there is a relationship between performance and strategic management practices adopted by the organisation, whether it is done at a specific level. These levels include supply chain and purchases, or across the entire firm.

Specifically, the studies show that strategic management practices lead to an improved organisational performance, and this cuts across all sectors irrespective of organisation size or market. Nevertheless, a number of gaps have emerged in the review. It has been shown that most of the studies on the subject have focused on commercial organisations, with only two studies having forced purely on performance of state-owned corporations. Some views of strategic management practices are also complicated, making the information unusual to managers who want practical guidance and suggestions for improving their organisations. Lastly, while the literature explores a wide range of issues in strategic management, none of the Kenyan studies have focused on LAPFUND, thus evidencing a need for research.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodologies and techniques applied in the research especially the data collection and analysis. Specifically, the chapter begins by clarifying the research design applied and its suitability to this study. This is followed by a justification of the research population and the sampling process of participants. Lastly, the chapter describes the data analysis techniques the researcher applied to analyse the data collected from the participants.

3.2 Research Design

The main research design applied by most researchers in social sciences include descriptive, correlational, experimental, survey and semi-experimental among others (Bajpai, 2011). Though each strategy has its strengths and weaknesses, this study used descriptive research design. To be specific, the study utilized a case-study technique. According to Bell (2014), case-study enables the researcher an inside-out comprehension on the strategic management practices of LAPFUND and how it affects the performance of the organisation. This research design was suitable mostly because it enabled the researcher to collect an array of data from the employees who are working at LAPFUND. The data was analyzed within the Kenyan context of state-owned corporations.

Blumberg et al. (2014) asserts that suitability of a case-study is based on the fact that the phenomenon is analyzed in the context of real-life happenings through application of several data sources. Moreover, case study design is helpful in answering the questions of why and how, which helps the researchers understand the issue being investigated. To this end, Bajpai (2011) argues that a case-study often focuses on the issues that take place within the organisation, implying that it was appropriate for evaluating how the strategic management practices used by LAPFUND influenced the performance of the corporation.

3.5 Data Collection

This research used both primary and secondary data. The primary data was collected from the participants who are the top managers at LAPFUND working in the Nairobi office, while the secondary data from the past literature was used to triangulate the findings. In order to access the participants, the researcher wrote an email to the HR manager of LAPFUND to inform and seek permission to interview the management team for information regarding the organisation's strategic performance practices and its impacts on their performance.

The primary data was acquired from interviews, which were administered to the participants physically on a one-on-one basis. The interviews were standardized to ensure that all participants respond to similar questions, although follow up questions may be asked where need be. The data collection focused on six managers who have worked at the organisation for at least two years since they would be well-versed with the strategic practices of the organisation and how it affects performance. The interview questions sought to address the two study objectives and, as such, were divided into three sections. Section one was be about the respondents' background. Section two consisted of questions regarding strategic management practices their formulation and implementation adopted by LAPFUND. Section three consisted of questions linking strategic management practices and performance at LAPFUND.

3.7 Data Analysis

To determine the influence of strategic management practices on performance of LAPFUND, the study used content analysis since the data is qualitative in nature. According to Hair et al. (2015), content analysis is relevant when analyzing interview data because it allows the researcher to group large datasets into coded summaries, which not only brings out the issues that influence phenomena, but also the reasons that answer why and how questions. Additionally, by using content analysis, it was possible to draw and link common themes in the responses given by the participants (Kumar, 2010).

After data analysis, the researcher compared the results with the suitable past literature reviewed in the previous chapter in order to make valid and relevant conclusions. This is in line with the interpretive approach that the study is taking for this topic, and it makes it possible to get the personal opinion of LAPFUND managers based on their management experiences.

CHAPTER 4: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and analysis of the primary data collected during the interviews as per the two research objectives outlined in chapter one. Notably, the objectives were to establish the strategic management practice adopted by Local Authorities Provident Fund and to determine how strategic management practices influence performance of Local Authorities Provident Fund. The chapter has three main sections. The next section is a presentation of the data on strategic management practices adopted by LAPFUND. This is followed by data on the impact of strategic management practices on the performance of LAPFUND. The final section is a discussion of the findings. As outlined in chapter three, six participants were interviewed for the study and all of them held management positions in the organisation. The participants noted that they had worked in the organization between 3 and 13 years. The departments represented were financing, internal audit, marketing, research planning and business development. Their identities were coded as respondent A, B, C, D, E and F from the first to the sixth interviewee respectively.

4.2 strategic management practices adopted by LAPFUND

Six items in the interview focused on the strategic management practices adopted by LAPFUND and the first item was concerned with whether the organisation has a mission and vision. If the organisation does have both, it was further of significance to know whether the role of coming up with them was outsourced or handled internally. All the participants agreed that LAPFUND has both a mission and a vision statement. In fact, participant D added that the organisation recently changed its vision into "being the preferred savings and retirement benefits provider." Further the participants were unanimous that the organisation internally came up with its mission and vision statements. Notably, four participants admitted that consultants were called in, but they also emphasized that this was only because they needed external expert opinion while coming up with the mission and vision, after which employees and the management held joint discussions to come up with something everyone agreed with.

Participants were also asked whether the organisation collected internal and external data regarding factors that influence its operations, and how it accomplished this task. Participant A pointed out that LAPFUND indeed collected data on both internal and external factors. This response resonated with that of the other participants. The participants also added that some of the data was collected quarterly through work plans, some annually through the annual general meetings (AGM), and some was collected once in two years, including competitor analysis. Other participants agreed, with participant D adding that LAPFUND also used PESTEL and SWOT.

The next question sought to determine if LAPFUND had set goals or objectives that it intended to achieve in line with its mission and vision. All the six respondents admitted that the organisation had several objectives, which is usually developed by the management. According to respondent A, the objectives are then shared with the middle-level managers, who then share with employees and set timelines and teams to work on the goals. Respondent F mentioned a number of objectives that were currently being pursued by the organisation, and this included: Increasing member satisfaction, growing fund value, increasing automation level and enhancing human resource performance. The respondents were, thus, unanimous in their perspective about the organisation having goals.

The follow-up question was whether LAPFUND had a strategic management plan that matches the objectives, and if yes, how it comes up with objectives: Does it outsource, leave it to the management or formulate it during human resource meetings? Here, the respondents were not unanimous in their responses. In fact, three respondents said that LAPFUND had strategic management plan. On the other hand, one respondent talked about LAPFUND having strategic themes, which was defined as "areas we want to achieve." This was taken to be synonymous with strategic plans. The four respondents that had an opinion on this suggested that the decision to come up with a strategic plan rests with the management, who then charge staff with the duty to fulfill the objectives based on the strategic plan. Notably, two respondents did not know whether LAPFUND had strategic plans that matched with objectives, and whether it was outraced or developed internally.

Another question had to do with how the organisation determined what strategies to use and what strategies to avoid when it is selecting strategies to use in its operations. Again, the answers given by the respondents were varied. Respondent F pointed out that the management relied on past records of organisation performance, the performance of individuals as well as the extent to which the strategic plan has been achieved. This gave the picture about what areas of the strategies were working and which ones needed revision. The response was seconded by A and B, who also mentioned past employee and organizational performance records. Respondent C, on the other hand, said that the organisation was primarily guided by its mandate as an institution, and the vision and mission, and thirdly, the regulations of the government. Respondent D also mentioned that another issue that possibly influenced strategy would be customer satisfaction and overall organisation reputation, arguing that activities customers were happy with were retained, while those that brought negative reputation were revised.

The participants were further asked whether the organisation identified key strengths, weaknesses, opportunities, and threats that influenced its operation based on analysis of the environment. The participants unanimously agreed that SWOT analysis was significantly used, adding other tools that were also included in the environmental analysis. Specifically, respondent E mentioned that the organisation had risk policy framework, which it used to evaluate threats that were being faced from the external and internal environment in terms of risk factor. Generally, it came out that the organisation implemented SWOT internally, and within each department, thereby involving employees, middle-level and senior management.

The final question on strategic management practices at LAPFUND sought to find out whether the organisation carry out monitoring, evaluation and control during implementation of strategy at your organisation, and how this was done. The respondents unanimously agreed that monitoring and evaluation took place during strategy implementation. However, it was immediately unclear how regular this took place, as each respondent had a different opinion on the matter. Particularly, respondents C and E, pointed out that there were mid-term reviews throughout the organisations, by which operational plans were assessed and realigned. Respondent F averred that there were annual reviews throughout all departments. In contrast, respondent D pointed out that LAPFUND had quarterly and monthly financial reports, which helped reorganize not only operations, but also budgetary allocations. Respondents A and B pointed out that the reviews took place annually, and it was done through departmental heads.

4.3 Impact of strategic management practices on the performance of LAPFUND

Six items of the interview sought to determine how strategic management practices influenced the performance of LAPFUND. The first interview item in this respect asked the significance of having mission and vision statements in regard to the performance of LAPFUND and how systematic revision of LAPFUND mission and vision statements would affect its financial and non-financial performance. Respondents E and C mentioned that it gave clarity of direction to the organisation. Respondents A and D believed it led to growth and a blueprint for dealing with challenges as they emerge, without losing tract of the overall organizational goal. In fact, respondent B pointed out that there was both financial and non-financial significance, pointing out that it was because of the mission and vision that products were diversified to include informal and shariah law related products. This attracted both return on investment (ROI) as well as increased reputation among the customers through increased customer satisfaction.

The interview also asked if gathering internal and external information (PESTEL Analysis) can influence performance of LAPFUND and to what extent strengths and weaknesses (SWOT) analysis can help LAPFUND. Various responses emerged, but the pattern was similar. In general, the respondents seemed to agree that SWOT and PESTEL analyses had directly influenced LAPFUND's performance, since the tools had helped the organisation establish its competitive edge. One key area that analysis of the external environment helped LAPFUND with was the realization that technological development presented an opportunity for serving customers better in the devolved system of government that is currently in force in Kenya, including the need to develop a robust website, use mobile alerts and payment systems, and improve automation in the office. At the same time, another respondent noted that LAPFUND realized its weaknesses, including lack of national presence across the 47 counties, and the need to expand its operations was an opportunity.

When asked how having objectives that align with strategies influence the performance of LAPFUND and to what extent they felt it influenced performance. All respondents seemed to agree that there was a strong influence. Respondent A mentioned that this was because "all departments are influenced by strategies we operate in every department those strategies are rolled down from the vision and this has led to improved performance at the organization." Similarly, the question about the benefit of benefit of setting strategic direction to an organisation like LAPFUND was answered on the affirmative, with respondents pointing out that by having a clear strategic direction, they were able to align all departments, resources and individuals towards the overarching vision, which is to be the preferred savings and retirement benefits scheme provider. Another significance of aligning objectives with strategies was helping in identification of the risks, opportunities and helping the management to have a basis upon which to know if the employees are performing as they should.

Respondents were also interviewed regarding their opinion on the extent that implementing strategies that are clearly set out has influenced the financial performance of LAPFUND like profits, revenues and asset growth. Different responses came up, but all of them were positive. For instance, a respondent mentioned that "Through diversification of our products it has led to more contributions coming in then investments done on them leading to ROI and asset growth through investment portfolio." Another respondent pointed out that LAPFUND was able to expand into the informal sector, which in turn increased both revenue and market share.

A closely related question asked the respondents their view on whether strategic planning could influence the non-financial. Performance of LAPFUND like reputation, effectiveness and goal attainment. One participant mentioned that strategic planning, if implemented correctly, led to increased customer satisfaction, which was determined through customer surveys. It also directly led to increased reputation through higher levels of brand visibility. Another relevant response was that strategic planning led to awareness of organizational current position, and where it was going, making it easier to manage expectations and work towards achieving set goals.

The last question asked the respondents their view on ways in which monitoring, evaluation and control of the implementation of strategy at your organisation could affect LAPFUND performance. One respondent opined that "Through ME we are able to see dynamics of the markets and align the strategies to the market." The other respondents agreed with the same, noting that monitoring, evaluation and control of the implementation strategy achieved three things, which are: knowing where LAPFUND is, how it compares with its overall organizational targets, and providing a basis for analyzing and setting future target.

4.4 Discussions

The data has shown that LAPFUND has implemented various strategic practices in its daily operations, and it has allocated significant capital, resources as well as time to implement these practices. Specifically, the organisation has set mission and vision, which, according to Mintzberg et al. (2002), provides the overall organizational direction. As recommended by Lewa et al. (2009), it has also been seen that LAPFUND comes up with its mission and vision internally, which means that the employees and management understand what the mission stands for and are more likely to pursue it. The steps taken by LAPFUND therefore, are in tandem with literature according to Lawson et al. (2015), who pointed out that strategic practices start with the formation of mission and vision statements.

Notably as well, it has been seen that LAPFUND management analyses the data of internal and external factors that affect the organisation, and while the frequency is unclear based on the varied responses, it is evident that the organisation collect the data regularly. Onyango (2014) pointed out that while the frequency with which internal and external information is collected may vary, it is important that it be done regularly to make the data useful and comparable with past data and future predictions. Lawson et al. (2015) agree with the approach used by LAPFUND, pointing out that data should be collected using reliable tools such as SWOT and PESTEL frameworks.

Regarding organizational objectives, which is also a critical step towards implementation of strategic practices, it was also clear that the organisation came up with its set of objectives. However, from the samples given by one of the respondents, it was evident that the objectives had details and depth. According to Pinder (2008), objectives set in strategic practice should be SMART, which means that they should have attributes that include being realistic, measurable, time-bound, and should have a designated implementor. The sample given was clear about when they intended to be achieved and who was to be responsible for its achievement.

It was also clear that the management of LAPFUND appreciated the role of having strategic practices and how it influenced the organization's performance. According to the data, the respondents felt that there were both financial and non-financial significance of implementing strategic practices and monitoring and evaluating them closely. The findings are in line with the studies by Thomas et al. (2014) and Sagwa (2002) both of whom found that strategic practices generally led to improved organizational performance. In fact, increased revenues, growth as well as customer satisfaction were among the most frequently cited advantages of implementing strategic management practices (Taiwo and Iudnnu, 2010).

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the study summary and conclusions are presented. The chapter also presents the recommendations of the study, which is done in three parts. This includes recommendations for managerial practices, recommendations for policy as well as implications for theory development. Finally, the chapter also includes a section on the limitation of the study and suggestions for further research.

5.2 Summary

The first objective of the study was to establish the strategic management practice adopted by Local Authority Provident Fund and to determine how strategic management practices influence performance of Local Authorities Provident Fund. In relation to this objective, it has been shown through the data analysis that LAPFUND has adopted a number of strategic management practices. To be particular, the interviews showed that LAPFUND had a mission and a vision. These statements were created not strictly by the management but by the internal stakeholders in the organisation, including the participation of employees.

The study also showed that the organisation collected data from internal environment as well as external environment and this was achieved in two main ways including through SWOT and PESTEL analysis. Through these, the organisation determined its political, technological, economic, environmental, legal and socio-cultural threats and opportunities. It then leveraged on its firm resources and strengths to take advantage of the opportunities while minimizing its threats. However, it was unclear how frequently this occurred, which may bring confusion to an organisation.

The study revealed that apart from the mission statement and environmental analysis, LAPFUND also set objectives that are in line with its mission and vision, and at the same time, it sets plans that are in line with these objectives. At this point, it was noted that the organisation has been able to set SMART goals, which are specific, measurable, attainable, realistic and time-bound. Instead, the goals cited in the interviews were general and vague, making it a challenge for the management to critically assess whether it has achieved them and evaluate the extent to which this has been done. However, none of the managers seemed to notice any issue with the organization's goals.

The findings also demonstrated that both when selecting strategies to use and during implementation of this strategies, the management was keen to rely on SWOT and PESTEL frameworks, as well as previous organisation and individual performance records. This was also supported by risk assessment tools, which were mainly used in monitoring and evaluation. Notably, some of the evaluation procedures were repeated monthly, while others were repeated quarterly, semiannually, annually, or once in two years depending on what the management aimed to gain. For instance, monthly reviews and quarterly reviews were found to be important when dealing with short-term data like financial performance, profitability and budgetary expenditure. On the other hand, long-term metrics such as the strategic plan was evaluated based on annual employee review and annual reports during AGM.

The second study objective was to determine how strategic management practices influence performance of Local Authorities Provident Fund. The study found that organisations that implement strategic performance practices are more likely to perform better than those that do not do so. This was found to result from a number of reasons, theoretically, including strengthened relationships between suppliers and the organisation, improved planning of how to use organizational resources, improved employee performance, as well as increased accountability of internal stakeholders. Increased firm performance was associated with higher revenues, increased customer satisfaction and other direct benefits, which justified the need for implementing strategic management practices.

In the case of LAPFUND, managers were found to agree that having implemented strategic management practices had led to positive performance, including better revenues and increased market share. These were some of the obvious financial benefits the management could point out. According to the interviews, the managers were confident that strategic management practices had contributed greatly to the organisation's present financial position.

Even more critically, it had also helped LAPFUND to understand its major weakness, which was its absence in most of the country. Using SWOT analysis, the management of the organisation was able to see the opportunity in this analysis, and has since embarked on an effort to grow its presence in various counties. The implementation of strategic practices was therefore resulting into various non-financial benefits for LAPFUND, which includes increased inclusion of people across the country, customer satisfaction, and a growing reputation of the organisation as a reliable pension scheme.

5.3 Conclusions

LAPFUND has grown significantly over the past ten years. Its fund value has grown from KES 3.8 billion in 2008 to KES 31 billion in 2017, while its membership has grown up to 45,000 in the same period. It has become one of the nation's leading retirement schemes for people who are employed by the county governments. This study concludes that having strategic practices has played in important role in this growth.

One of the strategic management practices adopted by LAPFUND is having a vision statement and this was not only communicated to the employees, but it was also made through their involvement. This study concludes that LAPFUND has a clear mission which has provided direction for the organisation in the recent past. The vision statement also helps the organisation remain on track with its long-term goals even when it pursues short-term profitability goals.

By analyzing its internal and external environment, LAPFUND has been able to determine where it is with respect to its past as well as its rivals. This study therefore concludes that the situation analysis has made it possible for the organisation to come up with long-term goals that relate to how it will exploit technology to improve customer service, how it will increase its market share, how it plans to increase customer satisfaction as well as how it can continue on its growth trajectory. Like the vision statement, the objectives are set by the management with the contribution of employees, who also contribute significantly to their fulfilment.

The study also concludes that there is a relationship between the performance of LAPFUND and its strategic practices, both at the financial and non-financial levels. These include growth, profitability, employee and customer satisfaction as well as increased reputation as a brand. Such benefits come not only because LAPFUND has set its vision, objectives and strategic plan, but also because the management has implemented these plans, took risk assessments and conducted monitoring and evaluation routinely to its goals. Nevertheless, there is still room for improvement based on the gaps identified in LAPFUND’s strategies.

5.4 Recommendations

A number of recommendations can be made for theory development. The study has revealed that government organisations do implement strategic practices to a large extent. The strategic management practices are completely in line with the theoretical outline of strategic management practices, as it was seen that the management focused on some key steps and implement others only superficially. For the case of LAPFUND, objectives were SMART and the frequency of evaluation was consistent. This shows that while organisations may value strategic management practices, it is recommended that the organisation remain flexible based on its particular goals and environmental needs. The study has also shown that in addition to the recommended SWOT and PESTEL analysis, LAPFUND also used additional tools, including risk assessment framework. By using such tool, it was able to minimize its weakness as well as prevent the impact of its threats. It is thus recommended that organisations should not limit their strategic tools to one or two options. It is better for organisations to combine theoretical models and implement the options that work best for their operations and size.

Recommendations are also made for management policy. The study showed that LAPFUND's approach to the new system had been to support diversity, embrace open communication with employees and consider their contribution when coming up with objectives, mission and ways to implement them. It is strongly recommended that organisations, especially state corporations, be including employees in making critical and long-term decision that affected the entire company. Learning from LAPFUND On the same note, it is critical that during evaluation, managers have uniform evaluation schedules to make their data more resourceful and relevant for decision-making.

Finally, recommendations for managerial practice are also given. The first recommendation is that organisations ought to take advantage of opportunities in the market to increase their short-term gains as well as long-term benefits. The short-term gains can be attained by having regular monthly and bimonthly reports, as well as quarterly financial reviews. At the same time, when coming up with departmental plans, the management ought to create plans for how to achieve short-term growth, increasing regional business through more customers, as well as better customer services leveraged on technology. The management at LAPFUND ought to streamline the organisations reviews, restructure its long-term goals and communicate effectively with both the management and junior employees to avoid confusion.

5.5 Limitations of the study

The study was limited both in scope and scale. From the outset, the study focused on LAPFUND, which, while it is a government organisation, it is simply one of several retirement benefit schemes in the country. Thus, the findings are limited and must be applied with caution when generalizing to the rest of the industry. At the same time, the data was collected from only six participants, and while previous studies were used to come up with most objective interview questions, the scale is too limiting.

Thirdly, the study is limited on the basis of the tool used for data collection. One of the main weaknesses for using interviews is that there is an increased likelihood of subjectivism on the part of the respondent. This may lead to biases as the respondent intentionally or unintentionally lean too much on one side based on their conviction rather than fact or new information.

5.6 Suggestions for future research

This study was focused on the strategic management practices and their impacts on LAPFUND. The literature saw that there was a general lack of information in Kenya on this subject, and it could therefore be helpful to academia if further studies on other government agencies, such as NSSF. The finding could be triangulated, or otherwise competed to determine similarities and differences of impact and the extent to which strategic management practices influence state corporations.

At the same time, considering that this study has focused on strategic management practices of state corporations and the relationship with performance, further studies could narrow down the topic even further and determine the role of strategic management on leadership performance.

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APPENDICES

APPENDIX 1: INTRODUTION LETTER

APPENDIX 2: INTERVIEW GUIDE

Thank you for making time to participate in this interview. This interview is designed to help in collecting data about strategic management practices and how they influence the performance of an organisation. The data collected in this interview will be used for academic purposes only. Kindly note that by taking part in this interview, you are doing so voluntarily and without pay. Also note that all the data provided here will be treated anonymously and your personal information such as names and phone number should not appear in any part of the interview.

Section one: Demographic information

1. How long have you worked at LAPFUND?
2. What is your present position at the organisation?
3. In which department do you work presently?

Section two: Strategic management practices

4. In your opinion, does the organisation have set goals or objectives it hopes to achieve?
5. In your opinion, does the organisation have a mission statement and a vision statement? If yes, are does, the organisation deliberately set its strategic direction in form of vision statement, mission statement and core values?
6. To your knowledge, does the organisation regularly gather data about the internal and/or external factors that influence its operations? And if yes, how regularly does it gather such data?

7. In your opinion, does the organisation identify key strengths, weaknesses, opportunities and threats that influence its operations? And if yes, how does it do this?
8. In your opinion, does LAPFUND have a strategic management plan? If yes, what does it generally contain, how is it formulated, and who is in charge of its implementations?
9. Does the organisation have monitoring, evaluation and control of the implementation of strategy at your organisation?

Section 3: strategic management practices and performance

10. In your opinion, how does having objectives or goals influence the performance of LAPFUND?
11. In your view, what is the significance of having mission and vision statements in regards to the performance of LAPFUND?
12. How do you think systematic revision of LAPFUND mission and vision statements would affect its financial and non-financial performance?
13. How would you say gathering internal and external information (PESTEL Analysis) can influence performance of LAPFUND?
14. To what extent do you think strengths and weaknesses (SWOT) analysis can help LAPFUND?
15. What would you say is the benefit of setting strategic direction to an organisation like LAPFUND?

16. How would you say strategic planning could influence the financial performance of LAPFUND like profits, revenues and asset growth?
17. How would you say strategic planning could influence the non-financial performance of LAPFUND like reputation, effectiveness and goal attainment?
18. Lastly, in your opinion, in what ways can monitoring, evaluation and control of the implementation of strategy at your organisation affect LAPFUND performance?