

**CHALLENGES OF STRATEGY FORMULATION AND  
IMPLEMENTATION AT ACHELIS KENYA LTD**

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## DECLARATION

### STUDENT'S DECLARATION

This research project is my original work and has not been presented for a degree at any other university.

Signature.....

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### SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the candidate's University Supervisor.

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## **DEDICATION**

This study is dedicated to my loving family, my wife Josphine Makena for her strength during my studies, my son Mark for waiting for me long hours before sleep, my daughter Natasha for enduring long hours without daddy and my Dad, Mum, brothers and sisters for encouragement.

## **ACKNOWLEDGEMENT**

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## ABSTRACT

Strategy formulation includes the process of developing a vision and mission, identifying environment analysis for an organization, establishing objectives, generating alternative strategies, and choosing particular strategies to pursue accomplishment. This study sought to establish the challenges involved in formulation and implementation of strategy as observed at Achelis Kenya Ltd. The research design adopted for this study was a case study in which data was gathered over the period 2006 to 2011. The study was carried out through the use of primary (interview guide) and secondary data. The self-administered interview guides were used among sampled employees currently with Achelis Kenya Ltd. The data collected was analyzed by use of Microsoft Excel 2010 and Statistical Package for Social Sciences (SPSS) Version 17. Regression analysis was used to determine the relationship between working capital management and profitability.

The study found that that successful strategy implementation can go a long way in helping a company gain a competitive edge, help in defining the business of the organization and also help in achieving right direction. The study also found that those involved in strategy implementation process in the organisation were senior managers, middle level managers and top management and all the other employees. Communication was also found to be a key success factor within strategy implementation. The study recommends that the management should ensure that they employ and deploy qualified and competent individuals. Also the study recommends that Achelis Kenya Limited should employ monitoring/supervision mechanism, also allocate enough funds to allow project completion.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives (David, 1989). It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs. Strategy of an organization is the roadmap towards attainment of its long term goals and objectives. Strategic management is the process of operationalization of the firm's strategy. This process integrates different functions of the organization. For an organization to be successful, it is very important to chalk out a sound strategic system. Strategic management helps in the formulation of effective organizational goals. The effective formulation and implementation of strategic management techniques can lead an organization to the path of success. The pitfalls in the strategic planning can be overcome with successful implementation of strategic management techniques. An effective strategic management process is imperative for gaining sustainable competitive advantage in the market.

Research into strategic planning and dynamic strategy formulation and implementation has become a major focus of academia and industry to improve manufacturing and operations (Feurer and Chaharbaghi, 1995). This is because, with the accelerating dynamics of competition, the key to competitiveness no longer lies in employing strategies that have been successful in the past or emulating the strategies of successful



competitors (Mintzberg et al., 1998; Pun, 2003). Many researchers (Barnes, 2001; Dangayach and Deshmukh, 2001) have suggested various research methods for the empirical investigation of strategy formulation and implementation. Some others (Pun, 2003; Swamidass et al., 2001) also proposed different planning frameworks and methodologies pertinent to the design and management of the strategy formulation practices in manufacturing firms.

### **1.1.1 Strategy Formulation**

According to David (2005), strategy formulation includes the process of developing a vision and mission, identifying environment analysis for an organization, establishing objectives, generating alternative strategies, and choosing particular strategies to pursue accomplishment. Knowledge strategy formulation describes the way and actions to achieve objectives.

According to Carpenter & Sanders (2007) strategy formulation is a process of deciding what to do meanwhile strategy implementation is a process executing what the organization has planned. The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Olson et al., 2005). Strategy formulation involves three steps which are: performing a situation analysis, self-evaluation and competitor analysis: internal and external; micro-environmental and macro-environmental, Concurrent with this assessment, objectives are set. These objectives should be parallel to a timeline; some are in the short-term and others on the long-term. This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organization

gives itself in society), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives, (Berry, 1995)

These objectives should, in the light of the situation analysis, suggest a strategic plan. The plan provides the details of how to achieve these objectives. This three-step strategy formulation process is sometimes referred to as determining where you are now, determining where you want to go, and then determining how to get there. These three questions are the essence of strategic planning, (Lamb, Robert, Boyden, 1984).

Strategic planning processes will be designed to fit the specific need of the organization. It's argued that every successful model must include vision and mission, environmental analysis, setting objectives and strategic analysis choice (Morrison et al 1984 and Arthur 1989). Identification of the institutions vision and mission is the first step of any strategic planning process i.e. one asks what and how the business is conducted (Thompson, 1989). This help in infusing the organization with a sense of purpose and direction and giving it a mission. A mission is a statement that broadly outlines the organizations future course and serves as a guiding concept. Once the vision and mission are clearly identified, the institution must analyze its external and internal environment. The environmental analysis performed within the frame work of the SWOT analysis, analyses information about organization's external environment (economic, social, demographic, political, legal, technological) and internal organizational factors.

### 1.1.2 Strategy Implementation

Okumus and Roper (1998, p. 219) observe that “despite the importance of the strategic execution process, far more research has been carried out into strategy formulation rather than into strategy implementation”, while Alexander concludes that literature is dominated by a focus on long range planning and strategy “content” rather than the actual implementation of strategies, on which “little is written or researched” (Alexander, 1985, p. 91). Reasons put forward for this apparent dearth of research effort include that the field of strategy implementation is considered to be less “glamorous” as a subject area, and that researchers often underestimate the difficulties involved in investigating such a topic – especially as it is thought to be fundamentally lacking in conceptual models (Alexander, 1985;). More “practical” problems associated with the process of strategy implementation, meanwhile, include communication difficulties and “low” middle management skill levels (Alexander, 1985).

The transformation from the industrial to the information age is signalled by increasingly sophisticated customers and management practices, escalating globalization, more prevalent and subtle product differentiation, and an emphasis on intellectual capital and enhanced employee empowerment (Eccles, 1991; Brander Brown and Atkinson, 2001). In this new world order successful strategy implementation becomes ever more important. Simultaneously, new performance measurement frameworks are evolving to fill the gap between operational budgeting and strategic planning. As a consequence, many organizations have tried to enhance their capacity to implement through the use of management development programs. Often, these follow training needs analysis which

identifies a set of management competencies which it is hoped will deliver better competitive and commercial practice. Sometimes these competencies are couched very loosely, for example: “we need to be better at financial management”.

In addition to the above, another inhibitor to successful strategy implementation that has been receiving a considerable amount of attention is the impact of an organisation's existing management controls and particularly its budgeting systems (Reed and Buckley, 1988; Otley, 2001). Although it is increasingly suggested that budgets suffer from being bureaucratic and protracted, and that they focus on cost minimisation rather than value maximisation (Brander Brown and Atkinson, 2001), they still represent the main integrative control mechanism in many, if not most, business organisations (Otley, 2001). In the apparent absence of suitable alternative information systems (Alexander, 1985), significantly, it is claimed that well-established budget control systems can overwhelm or dominate strategic control systems (Goold and Quinn, 1990) – even to the extent that “when the going gets tough, budgetary pressures will tend to derail strategic goals”(Bungay and Goold, 1991, p. 32). In order to overcome such “myopic” tendencies (Bungay and Goold, 1991), it is suggested that organisations need to establish shorter/medium-term strategic “milestones” (Goold and Quinn, 1990).

### **1.1.3 Material Handling Sales and Support Industry in Kenya**

Material handling industry is an industry that involves construction, warehousing and general handling equipment. The industry is pretty young in Kenya in the context of sales, service and support of this sector, apart from a number of the oldest players who

are less than 70 years in existence in Kenya. The rest of the main players are barely less than 15 years in operation with 60% of the total players barely less than 5 years.

An example of the equipment in reference here are civil and building construction equipment like earthmovers (Dozers, graders, excavators etc), Road making machines, Forklifts, Cranes just to mention a few. Many of the players in the industries over the past years have focused on one manufacturers product line but the trend has been changing over the last 10 years with less and less reliance on one product line hence moving to multi brand representation. The main players in this industry are Mantrac Kenya Ltd, Panafrican Trucks and equipment Ltd, CMC engineering, Autosueco Kenya Ltd and of course Achelis Kenya Ltd.

#### **1.1.4 Achelis Kenya Ltd**

The Achelis Group of Companies commenced operation in Kenya in 1962. The company is wholly-owned by Joh. Achelis & Soehne, Bremen with offices and workshops situated in Funzi Road, Nairobi Industrial Area. Achelis is also represented in Dar es Salaam, Tanzania (Achelis Tanganyika Ltd.) and Kampala, Uganda (Achelis Uganda Ltd.)

The company has several divisions in Kenya dedicated towards providing quality products and offers proper service delivery to all clients. One of these divisions is Achelis Material Handling Ltd which offers Sales, support and Service of lifting equipment, forklift trucks, cleaning equipment, Plant and Construction equipment. Since its incorporation into the Kenyan market in August 1998, Achelis Material Handling Limited has grown and developed into a reputable market leader having good working

relations with business partners in all areas of operation both in the public and private sector. Strong partners have facilitated its improved service delivery to meeting the client's needs in a very competitive market. With a wide range of knowledge and experience in various industrial sectors and a pool of skilled and qualified personnel; the company has tailor made their operations to provide the clients with a one- stop shop for all their Construction, Power, Warehouse and Material Handling needs.

## **1.2 Research Problem**

With the increasing level of competition in many competitive environments, a body of research regards the ability to formulate and implement a formulated strategy as an equally important source of competitive advantage. The rate of change in both internal and external environments of material handling firms is increasing, which necessitates that increased attention be paid to strategic planning and strategy formulation. Strategies are formulated by organizations in order to achieve a more favorable position. Over the years a large number of concepts and techniques have been proposed on how organizations should develop and implement a suitable strategy. Some of these concepts and techniques concentrate on matching an organization's resources and skills with the opportunities and risks created by its external environment (Buzzell, and Bradley, 1987; Porter, 1985), while others focus on the organization's resources and capabilities as drivers of competitive advantage (Grant, 1991).

Various researchers have reviewed literature in the field of strategy formulation and implementation. Alexander observes that literature is dominated by a focus on long range planning and strategy content rather than the actual implementation of strategies, on

which “little is written or researched” (Alexander, 1985, p. 91). Despite the neglect by academicians and consultants more challenges are experienced in practice in the course of strategy implementation. In their research, Bartlett and Ghoshal (1987) found that in all the companies they studied “the issue was not a poor understanding of environmental forces or inappropriate strategic intent. Without exception, they knew what they had to do; their difficulties lay in how to achieve the necessary changes”. Strikingly, organizations fail to implement about 70 per cent of their new strategies (Miller, 2002) Another recent study is a bit less alarming; it says 40 per cent of the value anticipated in strategic plan is never realized. The studies that have been done on strategy formulation have focused on other institutional firms while this study sought to find out the challenges of strategy formulation and implementation at Achelis Kenya limited.

Locally, Waruhiu (2004) conducted a study on issues in strategy formulation and implementation in international collaborative research & development of a case study of research based institutions. However, no known study has been done to explore strategy formulation and implementation at Material Handling companies in Kenya. This study therefore seeks to fill this research gap by investigating strategy formulation and implementation at Achelis Kenya Ltd. This leads to the research problem, How does Achelis Kenya Ltd formulate and implement the strategy today and what challenges do they face?

### **1.3 Research Objectives**

The objective of the study was to establish the challenges involved in formulation and implementation of strategy at Achelis Kenya Ltd.

## **1.4 Value of the Study**

The study findings are expected to be beneficial to various stakeholders. Material handling industry can be guided in coming up with suitable strategies and management practices that can ensure profitability, survival and growth-going concern. Material handling firms and other organisations can also benefit by assessing, evaluating and reviewing their strategic management practices as tools for competitiveness in the face of the changing business environment. The study will also be invaluable to the managers for it will be a blue print on how strategy should be formulated and implemented.

The government can also benefit from the study in formulating policies and measures that would stifle strategic management of hotels hence stimulate growth in the material handling industry.

The scholars of Strategic Management will get an insight of the process of strategy formulation and strategy implementation. This study will increase the body of knowledge in the area of strategic management in Kenya.



## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review/past studies, empirical review, critical review and summary of the chapter.

### 2.2 Conceptualisation of strategy

Many people use the words “strategies”, “plans”, “policies” and “objectives” interchangeably. Mintzberg (1994) defines strategy as “a plan, or something equivalent – a direction, a guide or course of action into the future, a path to get from here to there”, and as “a pattern, that is, consistency in behavior over time”. The term strategy seems to have a multitude of meanings. This is not surprising, as there is no commonly accepted and universal definition of strategy (O'Regan and Ghobadian, 2002a, b). The Greek origin of the term strategy, *strategia* means the art of war (Feurer and Chaharbaghi, 1995b). In military terms, strategy refers to “the important plan”. Where the objective is to defeat the enemy, the strategy will be to deploy the resources available in a manner that is likely to achieve the aim. In a business environment, the concept of strategy has evolved over time.

The strategy literature reflects the complexity and diversity of strategic thought (Hutchinson, 2001). For instance, according to early scholars such as Chandler (1962), strategy is the determination of the basic goals and objectives of a firm and the adoption

of courses of action including the allocation of resources necessary for carrying out these goals. Andrews (1971) argues that strategy is a rational decision-making process by which the firm's resources are matched with opportunities arising from the competitive environment. Others, such as Schendal and Hofer (1979) regard strategy as the mediating force or match between the organisation and the environment, and Aldrich (1979) state that the environment has a strong deterministic influence on the strategy-making processes in organisations. On the other hand, proponents of the resource-based view also argue that it is not the environment, but the resources of the organisation that form the foundation of a firm's strategy (Grant, 1991).

Mintzberg (1994) contends that strategies are intentional and their implementation is deliberate before they become realised. Intentional strategies that are not realised are thus discarded. It is rarely possible to realise intended strategies completely, and so the realised strategies normally diverge to a greater or lesser extent from the intended strategies. Additionally, in some cases companies do not have any specified intended strategy. The realised strategy is thus, the product of many different decisions taken individually.

Mintzberg (1987) contends that formulation and implementation merge into a fluid process of learning through which creative strategies evolve. He also identifies three types of strategy processes: planning, entrepreneurial and learning-by-experience (Mintzberg, 1994). While both content and process are separate elements of strategy, they are highly interdependent. The interrelationship is seen as so significant that a consideration of the content of strategy in the absence of the strategic process means that

only a limited view is obtained (Mintzberg, 1990). Barnes (2001) argues that firms should determine the content and the process of their strategies in the light of their position in the industry and their objectives, opportunities and resources.

### **2.3 Approach to Strategic Management**

Strategy is a broad program and goals that help an organization to achieve success. Strategy is the match between organization resource and skills, the environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel and Hofers, 1979). The external environment of a firm which comprises the whole range of economic, social and ecological factors is changing rapidly and it is important for an organization to constantly adapt its activities to reflect its new requirements of the environment. The changes in the environment constantly influence what these organizations do, since they have to constantly adjust to these changes to remain successful. David (1999) articulates the view of environment constantly upsetting plan and organisations need more planning and constant monitoring to keep its performance ready to respond to environmental changes. Thus strategy becomes the mediating force between the organization and the environment.

According to Pearce and Robinson (2008), strategy formulation activities enhance the firm's ability to prevent problems. They further contend that group-based strategic decisions are likely to be drawn from the best available alternatives. The involvement of employees in strategy formulation improves their understanding of the productivity-reward relationship in every strategic plan and, thus, heightens their motivation. Strategic management also helps reduce gaps and overlaps in activities among individuals and

groups as participation in strategy formulation clarifies differences in roles. Lastly, they assert that resistance to change is reduced. Though the participants in strategy formulation may be no more pleased with their own decisions than they would be with authoritarian decisions, their greater awareness of the parameters that limit the available options makes them more likely to accept those decisions.

Strategic planning could be formal or informal. Formality in strategic planning refers to the degree in which participants' responsibilities; authority and discretion in decision making are specified (Pearce and Robinson, 2002). Formal analytical process is characterized by use of analytical tools and methodologies to help managers reach a corporate success (Hofer and Schendel, 1978). Formal strategic planning usually ends up with a document, the strategic plan. A strategic plan is a comprehensive statement about the organization's mission and future direction near term and long-term performance targets and how management intends to produce the desired results to fulfill the mission, given the organization's situation (Thompson & Strickland, 1993).

Most theories of strategic management practice seem to have a lifespan less than that of the latest teen music idol. Many critics claim that this is because they generally do not work. For every theory that gets incorporated into strategic management textbooks there are 100 that are quickly forgotten. Many theories tend either to be too narrow in focus to build a complete corporate strategy on, or too general and abstract to be applicable to specific situations (Elcock, (1996).

## 2.4 Strategic Planning Notion and Strategic Formulation Concepts

Strategic planning is concerned with the setting of corporate goals, the making of strategic decisions and the development of plans necessary to achieve them (Hewlett, 1999). Evered (1983) defined strategic planning as a process for generating viable directions that lead to satisfactory performance in the market place, given a variety of legal constraints and the existence of competitors. The process was perceived as the critical management function in business organisations (Mintzberg, 1994). Johnson and Scholes (1997) encapsulate the meaning of strategic planning as the direction and scope of a firm over the long term that achieves advantage for the firm through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations.

In the 1960s and 1970s, Andrews (1971) and Ansoff (1976) laid the foundations for strategic planning by demonstrating the need to match business opportunities with organizational resources and illustrating the usefulness of strategic plans. Using a unidirectional approach, the strategic planning processes entail a number of well-defined steps carried out in sequence including data collection and analysis, strategy development, evaluation, selection and implementation. The process explores a variety of critical variables and suggests possible cause-and-effect relationships that impact on the operational and business performance of a firm (Mintzberg and Lampel, 1999). This helps a firm to assess its current and future position, identify critical factors and find methods of assuring success (Bailey and Avery, 1998).

Then, for a period, strategic planning fell in perceived importance as management shifted its attention to improving quality, restructuring, downsizing and re-engineering. In the 1990s, the pendulum had swung again and strategic planning was returning to its former prominent position (Maloney, 1997). As the environment is continually changing, it is necessary for strategic planning to continually change to maintain a “balance” or “fit” with the external environment (Procter, 1997; Wright et al., 1996). Some recent studies (Deloitte and Touche, 1992; Hayes and Upton, 1998; Lyles et al., 1993; Noble, 1999; Pilkington, 1998) have shown that many organisations engaged in strategic planning would outperform those that have no formalised planning systems. The deployment of strategic planning is altered where there is a changed perception of the problems faced by management. Nevertheless, its central theme continues to concern the future and formulate strategies to attain the multiplicity of organizational objectives and goals (Ansoff and McDonnell, 1990).

According to Hax and Majluf (1996), there are basically two schools of management pertaining to strategy formulation. One school relies heavily on formal-analytical process while the other espouses a power-behavioral approach to strategy formulation. Those favouring the former approach tend to advocate the use of formal planning systems, management control and consistent reward mechanisms to increase the quality of strategic decision-making (Ansoff and McDonnell, 1990). They regard strategy formulation as a formal and disciplined process leading to a well-defined organization-wide effort aimed at the complete specification of corporate, business and functional strategies. The latter rests on the behavioral theory of the firm, and emphasizes multiple goal structures of firms, the politics of strategic decisions, executive bargaining and

negotiation (Hax and Majluf, 1996). Thompson and Strickland (1998) argue that strategy formulation has a strongly entrepreneurial character in the sense that managers have to choose among alternative strategies and to pursue approaches, and this entails at least a small amount of adventure and risk-taking.

These three-step strategy formulation processes is sometimes referred to as determining where you are now, determining where you want to go, and then determining how to get there. These three questions are the essence of strategic planning. I/O Economics for the external factors and RBV for the internal factors (Lamb, Robert, Boyden, 1984).

## **2.5 Strategy Implementation**

The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic, and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into the issue of how strategies are best formulated. Strategic management is about managing the future, and effective strategy formulation is crucial, as it directs the attention and actions of an organisation, even if in some cases actual implemented strategy can be very different from what was initially intended, planned or thought.

The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Olson et al., 2005). A strategy is only as good as its implementation. However the processes are not as simple as planned. The challenge is that the organizations have to face the barriers to stimulate employees throughout an organization to work with pride and enthusiasm

towards achieving stated objectives. According to Carpenter & Sanders (2007) strategy formulation is a process of deciding what to do meanwhile strategy implementation is a process executing what the organization has planned.

At the firm level, extant research has observed that the effective relationship between strategy and structure is a necessary precondition to the successful implementation of new business strategies (Drazin and Howard, 1984; Olson et al., 2005; Miller et al., 2004). In addition, a match between appropriate administrative mechanisms and strategy has been found to reduce uncertainty within the firm and increase effectiveness in strategy implementation. The relevant literature (Noble, 1999; Noble and Mokwa, 1999) has advocated factors that influence the effective implementation of strategies, for example; organisational structure (Drazin and Howard, 1984); control mechanisms (Daft and Mackintosh, 1984; Jaworski et al., 1993); strategic consensus (Floyd and Wooldridge, 1992); leadership (Gupta and Govindarajan, 1984; Nutt, 1983); and communication (Workman, 1993). However, prior research has neglected to ascertain whether the “style” of strategy implementation undertaken has any impact on the effectiveness of the implementation effort.

Mintzberg (1993) proposed that firms differ in terms of their structure and that theory should move away from the “one best way” approach towards a contingency approach, in that structure should reflect the firm's situation and strategies. The structure of a firm influences the flow of information and the context and nature of interpersonal interaction within it. Structure also channels collaboration, prescribes means of communication and co-ordination as well as allocating power and responsibility (Miller, 1987).



Strategic typologies are becoming ever popular in researching strategy (Speed, 1993). Taxonomy, the classifying of phenomena and the explanation of the classification used, facilitates the development of our knowledge. Taxonomic approaches have become commonplace in marketing theory and in the study of strategy especially. The majority of extant taxonomy models in strategy implementation tend to be normative in nature (Parsa, 1999). Alternatively, they are developed from organizational observation, and as such, become context specific and frequently lack any broader theoretical grounding (Hooley et al., 1992). In contrast, Bourgeois & Brodwin's (1984) model is comprehensive, is based on specific theoretical assumptions and has been used by authors such as Parsa (1999). Bourgeois and Brodwin (1984) to refute the traditional approach to strategy implementation as simply an adjunct to the strategy formulation phase of the strategy process. Rather, they contend that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

## **2.6 Challenges of Strategy Implementation**

Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary

based measures and due to their size and the game playing associated budget setting “it is possible for the planning intent of any resource redistribution to be ignored” (Reed and Buckley, 1988, p. 68). Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the “entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment” (Reed and Buckley, 1988, p. 68). Goal setting and controls are also recognised as problematic, identifying co-ordinated targets at various levels in the organisation is difficult and the need for control is heightened as uncertainty and change provide a volatile environment, a point supported by Tavakoli and Perks (2001).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the methodology that was used to carry out the study. This included the study design, target population, sample size and how the sample was selected, data collection tools used, the data collection technique and data analysis method.

### **3.2 Research Design**

This study was a case study since the unit of analysis was one organization. This case study aimed at getting detailed information regarding strategy formulation and implementation at Achelis Kenya Ltd. According to Yin (1989) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. It is also noted that a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily, data collected from such a study is more reliable and up to date.

### **3.3 Data Collection**

In order to establish the process of strategy formulation and implementation at Achelis Kenya Ltd, self-administered interview guides were used among sampled employees currently with Achelis Kenya Ltd. In order to collect primary data, interview guides were designed to establish the process of strategy formulation and implementation at Achelis Kenya Ltd. The interview guides had open-ended questions (see appendices). The focus

was on top management who are the key people involved in Strategic development. In this Particular case, the people to be interviewed were the Human Resource Manager and the General Manager. Secondary data sources will also be employed through the use of previous documents or materials to supplement the primary data received from interviews.

### **3.4 Data Analysis**

After the interview guides were sent and before processing the responses, the completed interview guides were edited for completeness and consistency. A qualitative analysis was employed. The qualitative analysis will be used to analyze the respondents' views about the process of strategy formulation and implementation at Achelis Kenya Ltd. The data was then coded to enable the response to be grouped into various categories so as to enable the researcher search for important information relevant to the study.

## **CHAPTER FOUR:**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on challenges of strategy formulation and implementation at Achelis Kenya Limited.

#### **4.2 Response Rate**

In-depth information was gathered from senior members of staff at Achelis Kenya Limited who are Human Resource Manager and the General Manager who are conversant with the issue of strategy implementation at Achelis Kenya Limited.

#### **4.3 Findings of the study**

The following paragraphs discuss the findings of the study;

On the question of importance of strategy implementation to the company's success, the interviewees indicated that successful strategy implementation can go a long way in helping a company gain a competitive edge, help in defining the business of the organization and also help in achieving right direction. The study also found that the company benefits by having its various strategies entrenched and broadly accepted by all the employees guaranteeing successful implementation in the future.

Achelis Kenya Limited is able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment during strategy implementation. This is done by including qualified people with skills, attitudes, capabilities, experiences and other characteristics required by a specific task or position.

Achelis Kenya Limited is a company which is optimistic that their current operating performance will be sustained in the future. The importance of management ability, or competence, in achieving successful strategy implementation is top management's strategic choices. It reflects favorably on choices made in other parts of the organization. Strategic level manager's demographic characteristics should be examined for the formulation and implementation of strategic decisions. Those in the organization must understand each important detail in management's intended strategy. The organization is to take collective action; the strategy needs to make as much sense to each of the members in the organization as they view the world from their own context, as it does to top management. The collective intentions must be realized with little unanticipated influence from outside political, technological, or market forces.

#### **4.3.1 Factors affecting strategy implementation**

The stages of strategy implementation at the Achelis Kenya Limited are SWOT: look at strengths, weaknesses, opportunities and threats. Analyze the gap between your internal (S&W's) and external (O&T's) environment. Using the firm's value's, they are able to determine courses of actions, possibly via scenario planning, and select according to what

you feel is likely or possible, or extremely attractive or threatening. Doing things like getting the resources, staff, incentive structures etc the firm will commence implementation. Final step is strategic control, where implementation is checked to see if it is being executed as expected, checked to see if the outcomes are actually those that are sought, and the premises used during the SWOT are checked to see if they have changed.

Those involved in strategy implementation process in the organisation are senior managers, middle level managers and top management and all the other employees. Communication is a key success factor within strategy implementation. Role of communication in the process of strategy implementation at Achelis Kenya Limited is acting as an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented.

Impact of corporate culture on effective strategy implementation at the organization is creating and sharing an organizational goal, acting as a role model, encouraging creativeness, providing support for employees, and allowing employee participation in making job-related decisions.

The effect of involvement of firm members in the strategy process on successful strategy implementation is good performance at the organization.. The firm members need both technical and interpersonal skill to succeed. They do their job quickly and accurately, but do so while relating well with customers. Contact employees represent the organization and can directly influence customer satisfaction; they perform the role of marketers thus careful recruitment, training and ongoing mentoring of employees can contribute to improvements in both productivity and service quality.

Initiatives are taken by management in creating and sustaining a climate within the firm that motivates employees in their implementation role within the organization and their managers paying as much attention to planning the implementation of their strategies as they give to formulating them. It also requires top management commitment to the strategy implementation process, effective leadership to drive the implementation process, employee commitment to the strategy process, rewards and incentives to encourage employees to contribute their best to the implementation process. Cultivation of strong cultural values to meet the changing organizational needs.

The requirements for a successful strategy implementation at the Achelis Kenya Limited are budgetary, human resource, institutional and procedural which have implications on implementing the strategy.

The style /model of strategy implementation employed at the Achelis Kenya Limited are top-down/laissez-faire senior management style. It has several challenges which include unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development. All the above factors affect strategy implementation and if they are not controlled then they will negatively affect the firm's performance.

The strategy implementation practices employed by Achelis Kenya Limited are understanding customer expectation, marketing research and market segmentation. A firm cannot serve an entire market for a particular service as customer needs and wants are diverse. It must identify segments of a market that it can serve most effectively. A



market segments consists of a large identifiable group within a market with similar wants, purchasing power, among other attributes. Service positioning is also used whereby a firm establishes and maintains a distinctive place for itself and its offerings in the market, it is said to be successfully positioned.

The other factors leading to strategy implementation success at Achelis Kenya Limited are strong management roles in implementation, good communication, commitment to the strategy, awareness or understanding of the strategy, aligned organizational systems and resources, good coordination and sharing of responsibilities, adequate capabilities, and controllable environmental factors.

### **4.3.2 Challenges facing strategy implementation**

The interviewees indicated that they face the challenge of strategy implementation time being underestimated and thus most of the implementers have a deadline that is merely an approximation due to the occurrence of unexpected developments. According to some interviewees, their organization experiences delays by external business partners in providing the expected support in time.

To the question on some of the challenges that surface during strategy implementation that had not been anticipated, the interviewees said that political turbulence was the most important issue facing any implementation process. Other challenges include supporters of the strategic decision leaving the organization during implementation, change of guiding policies by umbrella bodies e.g. Kenya bureau of standards (KEBS), systems breakdown, low or underestimated budget allocation and underestimation of the

commitment, time, emotion, and energy needed to overcome inertia in their organization and translate plans into action.

Other factors in the external environment that had an adverse impact in strategy implementation at the organization were indicated by the interviewees as increasingly sophisticated customers and management practices, escalating globalization, more prevalent and subtle product differentiation, credit crunch, political environment, breakneck competition from other companies.

The interviewees indicated that some of competing activities that cause distractions inhibiting strategy implementation include too many conflicting priorities, advertisement/promotion, well versed customers and the organizations trying to cope with competition in the industry hence losing perspective of its strategy. The interviewees further indicated the challenges posed by the inadequacy of information systems used to monitor strategy implementation include the implementers not knowing how effective the strategy implementation has been, may lead to loss of opportunities, lack of timely feedback and false report on progress and consequently ultimate failure.

To the question on the challenges posed by customers and staff not fully appreciating the strategy implementation, the interviewees indicated that they faced challenges of criticism, lack of cooperation, strategy failure and implementation delays. The interviewees, on the impact of poor communication and diminished feelings of ownership and commitment by employees to strategy implementation, said that it resulted to delayed results, wastage of resources, loss of business, and rejection of the strategy, demotivation and lack of commitment to new ideas.

On the question on the challenges caused by ineffective coordination and poor sharing of responsibilities of strategy implementation activities, the interviewees said that they caused challenges of delayed implementation, overworking of some workers, errors of commission, omission and duplication.

According to the interviewees, other challenges faced in strategy implementation at their organizations include: poor planning, lack of support from top management, non involvement all staffs, inadequate know how on the key stages of implementation, poor coordination, poor communication, unclear strategic intentions, conflicting priorities, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, competing activities and uncontrollable environmental factors.

The researcher further asked the interviewees to suggest the possible solutions to the challenges of strategy implementation at Achelis Kenya Limited. According to the interviewees, the solution to the problems include; continuous training on how the strategy should be implemented, involvement of staff in decision making, consider piloting before rolling it out to everyone, appraise achievements, sharing responsibility, efficient communication, defined and clear process flow.

#### **4.4 Discussions of Findings**

Effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process (Govindarajan, 1989). Here, quality refers to skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position. The study collates with the literature on the importance of

management ability, or competence, in achieving successful strategy implementation, where the study found that the management should be competent so as to ensure good strategy objective setting, achieve strategic awareness, manage resistance to strategy implementation, giving a clear guidance, sustain vigorous strategy implementation efforts, align structure to strategy, envision change for future competences and critically assess current strategy. The researcher further found that senior managers, directors, middle managers, departmental heads and other lower level employees are involved in strategy implementation process at Achelis Kenya Limited but the middle level managers play the pivotal role in the implementation.

On the role of how organizational vision and mission key policies are communicated during the strategy implementation process, communication plays a big role in the process of strategy implementation at Achelis Kenya Limited. The researcher found that proper communication of strategic awareness can act as a cohesive force and succeed in connecting those with ultimate responsibility for organizations with those who directly implement policies. Communication is important in every aspect of strategy implementation, and it is related in a complex way to organizing processes, organizational context and implementation objectives which, in turn, have an impact on the implementation process and also enhances timely feedback on the progress and challenges met in the process of strategy implementation. The researcher also found that effective communication throughout the organization leads to a clear understanding of key roles and responsibilities of all stakeholders including middle managers, whose role is often pivotal and ensures that everybody understands success levels at all times. This collates with earlier findings by Rapert., Velliquette and Garretson, (2002).

On the impact of management development programmes/training on effective strategy implementation at Achelis Kenya Limited Kenya Limited, the researcher found that training instills to the employees a set of management competencies which it is hoped will deliver better competitive and commercial practice; Staff training is an important contributor to individual and group motivation; training can increase staff involvement in the organization, improve communication between peers; facilitate change, eliminates confusion since everybody understands his or her role.

On the effect of early involvement of firm members in the strategy process on successful strategy implementation, the study found that early involvement of firm members in the strategy process helped members understand super-ordinate goals, style, and cultural norms and thus become essential for the continued success of a firm strategy implementation. It also prevents them from being taken by surprise, puts all members at the same platform, and helps the employees to own the process thus ensuring better results. Further, early involvement of firm members in the strategic plans and decisions taken by the firm are essential to their progress and development within their organizational environments. Involving staff in such processes increase their confidence and sense of ownership of new policies and changes which in turn contribute to their personal and professional motivation towards successful strategy implementation. These findings are similar to the ones on previous research by (Hambrick & Cannella, 1989).

On initiatives taken by management in creating and sustaining a climate within the firm that motivates employees in their implementation role, the researcher found that the management has taken initiatives that include encouraging teamwork, maintaining a

strong culture that results in employees aligning their individual goals and behaviors with those of the firm, continuous staff training and development, implementing reward and benefits systems including frequent recognition given in less formal ways, ensuring a conducive working condition by focusing on relations between peers through effective staff meetings that allow opportunities for discussion and interaction and proper communication. The style /model of strategy implementation employed at the firm is the top-down model.

On other factors leading to strategy implementation success at the Achelis Kenya Limited Kenya Limited, the research found that factors leading to strategy implementation success include clear aims and planning, a conducive climate, giving implementation priority, having abundant resources, an appropriate structure and implementing flexibly, organizational structure, control mechanisms, strategic consensus, leadership and positive attitude towards strategy implementation success.

The research found that the organization faces the challenge of strategy implementation with time being underestimated and thus most of the implementers have a deadline that is merely an approximation due to the occurrence of unexpected developments and also experience delays by external business partners in providing the expected support in time.

On some of the challenges that surface during strategy implementation that had not been anticipated, the research found that political turbulence was the most important issue facing any implementation process. Other challenges include supporters of the strategic decision leaving the organization during implementation, change of guiding policies by umbrella bodies (e.g. Kenya Bureau of Standards, KRA etc.), system breakdown, low or

underestimated budget allocation and underestimation of the commitment, time, emotion, and energy needed to overcome inertia in their organization and translate plans into action.

Other factors in the external environment that had an adverse impact in strategy implementation at the Achelis Kenya Limited were found to include increasingly sophisticated customers and management practices, escalating globalization, more prevalent and subtle product differentiation, credit crunch, political environment, breakneck competition from other companies.

The research found that some of competing activities that cause distractions inhibiting strategy implementation include too many conflicting priorities, advertisement/promotion, well versed customers, door to door sale and the firm trying to cope with competition in the industry hence losing perspective of its strategy. The research further found that the challenges posed by the inadequacy of information systems used to monitor strategy implementation include the implementers not knowing how effective the strategy implementation have been, may lead to loss of opportunities, lack of timely feedback and false report on progress and consequently ultimate failure.

On the challenges posed by customers and staff not fully appreciating the process of strategy implementation, the research found that they faced challenges of criticism, lack of cooperation, strategy failure and implementation delays. The research, on the impact of poor communication and diminished feelings of ownership and commitment by employees to strategy implementation, found that it resulted to delayed results, wastage

of resources, loss of business, and rejection of the strategy, demotivation and lack of commitment to new ideas.

On the challenges caused by ineffective coordination and poor sharing of responsibilities of strategy implementation activities, the research found that they caused challenges of delayed implementation, overworking of some workers, errors of commission, omission and duplication.

Other challenges faced in strategy implementation at the firm include poor planning lack of support, non involvement, inadequate knowhow on the key stages, poor coordination, poor communication, unclear strategic intentions, conflicting priorities, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, competing activities and uncontrollable environmental factors. These collated with Beer and Eisenstat's (2000, p. 37) "six silent killers of strategy implementation".

Finally, the research further found the possible solutions to the challenges of strategy implementation at the Achelis Kenya Limited include continuous training on how the strategy should be implemented; involvement of staff in decision making, consider piloting before rolling it out to everyone, appraise achievements, sharing responsibility, efficient communication, defined and clear process flow.



# **CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to determine factors affecting strategy implementation in at Achelis Kenya Limited and the challenges facing strategy implementation at Achelis Kenya Limited Kenya Limited.

## **5.2 Summary of the Findings**

The study aimed at investigating the factors affecting strategy implementation in at Achelis Kenya Limited and the challenges facing strategy implementation at Achelis Kenya Limited Kenya Limited.

The study found that successful strategy implementation helped a company gain a competitive edge, define the business of the organization, achieve right direction and having its various strategies entrenched and broadly accepted by all the employees guaranteeing successful implementation in the future. Achelis Kenya Limited is able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment during strategy implementation.

The importance of management ability, or competence, in achieving successful strategy implementation is top management's strategic choices tends to be successful, it reflects favorably on choices made in other parts of the organization. The collective intentions must be realized with little unanticipated influence from outside political, technological and market forces.

The study found that the organization followed the steps of strategy implementation of SWOT that is it looks at the firm's strengths, weaknesses, opportunities, threats and analyzes the gap between the firm's internal (S&W's) and external (O&T's) environment. It uses the firm's value's, to determine courses of actions, possibly via scenario planning, and select according to what the firm feel is likely or possible, or extremely attractive or threatening. Doing things like getting the resources, staff, incentive structures etc, the firm commenced implementation. The final step is strategic control, where implementation is checked to see if it is being executed as expected, checked to see if the outcomes are actually those that are sought, and the premises used during the SWOT analysis are checked to see if they have changed.

Those involved in the strategy implementation process in the organisation are senior managers, middle level managers and all employees. Role of communication in the process of strategy implementation at Achelis Kenya Limited is acting as an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented. Impact of human resource development on effective strategy implementation at the organization is creating and sharing an organizational goal, acting as a role model, encouraging creativeness and providing support for employees.



The effect of involvement of firm's members in the strategy process is successful strategy implementation and good performance of the organization. Initiatives taken by management in creating and sustaining a climate within the firm that motivates employees in their implementation role with the organization and their managers paying as much attention to planning the implementation of their strategies as they give to formulating them. The requirements for a successful strategy implementation at the Achelis Kenya Limited are budgetary, human resource, and institutional, and procedural implications of implementing the strategy. The strategy implementation practices employed by Achelis Kenya Limited are understanding customer expectation, marketing research and market segmentation. The other factors leading to strategy implementation success at Achelis Kenya Limited are strong management roles in implementation, good communication, commitment to the strategy, awareness or understanding of the strategy, aligned organizational systems and resources, good coordination and sharing of responsibilities, adequate capabilities, and controllable environmental factors.

Some of the challenges that surface during strategy implementation had not been anticipated; the research found that political turbulence was the most important issue facing any implementation process. External environment had an adverse impact in strategy implementation at the Achelis Kenya Limited which include increasingly sophisticated customers and management practices, escalating globalization, more prevalent and subtle product differentiation, credit crunch, political environment, breakneck competition from other companies. Some of competing activities that cause distractions inhibiting strategy implementation include too many conflicting priorities,

advertisement/promotion, well versed customers, door to door sale and the organization trying to cope with competition in the industry hence losing perspective of its strategy.

Challenges posed by the inadequacy of information systems used to monitor strategy implementation include the implementers not knowing how effective the strategy implementation have been, may lead to loss of opportunities, lack of timely feedback and false report on progress and consequently ultimate failure.

Challenges being posed by customers and staff not fully appreciating the strategy implementation, the research found that they faced challenges of criticism, lack of cooperation, strategy failure and implementation delays. On the impact of poor communication and diminished feelings of ownership and commitment by employees to strategy implementation, the research found that it resulted to delayed results, wastage of resources, loss of business, rejection of the strategy, demonization and lack of commitment to new ideas.

Other challenges faced in strategy implementation at the firm include poor planning, lack of support, non involvement, inadequate knowhow on the key stages, poor coordination, poor communication, unclear strategic intentions, conflicting priorities, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, competing activities and uncontrollable environmental factors.

### **5.3 Conclusion of the study**

The study concludes that successful strategy implementation helped a company gain a competitive edge, define the business of the organization, achieve right direction. Achelis Kenya Limited is able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment during strategy implementation. The collective intentions must be realized with little unanticipated influence from outside political, technological, or market forces.

The study concludes that the organization followed the following steps in strategy implementation. SWOT analysis - analyze the gap between your internal (S&W's) and external (O&T's) forces/environment. Those involved in strategy implementation process in the organisation are senior managers, middle level managers and all the other employees. The impact of human resource development on effective strategy implementation at the organization is creating and sharing an organizational goal, acting as a role model, encouraging creativeness, providing support for employees.

Initiatives are taken by management in creating and sustaining a climate within the firm that motivates employees in their implementation role with managers paying as much attention to planning the implementation of their strategies as they give to formulating them. A top-down/laissez-faire senior management style is used. The strategy implementation practices employed by Achelis Kenya Limited are understanding customer expectation, marketing research and market segmentation. The other factors leading to strategy implementation success at Achelis Kenya Limited are strong management roles in implementation, good communication, commitment to the strategy,

awareness or understanding of the strategy, aligned organizational systems and resources, good coordination and sharing of responsibilities, adequate capabilities, and controllable environmental factors.

#### **5.4 Limitations of the Study**

The study was limited to Achelis Kenya Limited, as sales company which would give the relevant information sought by the researcher to fill the prevailing knowledge gap. Some respondents might not be willing to fully disclose company information due to various reasons. The researcher went about dealing with this limitation by assuring the respondents of the strict confidentiality of the information obtained which would only be used for study purposes. The respondents also raised the issue of anonymity which the researcher overcame by assuring them of the coding of each interview guide.

#### **5.5 Recommendation for Further Studies**

The study was carried out at Achelis Kenya Limited thus the same study should be carried out in the other companies to find out if the same results will be obtained. The study focused on the equipment sales industry thus further studies need to be carried out in other industries to enhance the understanding in this area of strategy formulation and implementation.

The study also recommends further studies should be carried out to determine the impact of politics and external factors as a major challenge to the strategic formulation and implementation to material handling industry.

## 5.6 Recommendation for Policy and Practice

The study will facilitate the policy makers in institutions to be aware of specific needs in the strategy implementation such as communication, coordination, planning and staff motivations. The findings of the study will be beneficial to the manufacturing industry in implementing superior policies that will enhance customers service and hence more penetration of the market. The study will also assist stakeholders and interested parties in understanding the challenges of strategy implementation in the insurance industry and how to overcome them.

The study also recommends that Achelis Kenya Limited should embark on staff improvement through training and offering a conducive work environment to improve their productivity which in turn will win support from the staff and thus make strategy implementation a reality in Achelis Kenya Limited.

The study will facilitate the policy makers in institutions to be aware of specific needs in the strategy implementation such as communication, coordination, planning and staff motivation. The findings of the study will be beneficial to the manufacturing industry in implementing superior policies that will enhance customers service and hence more penetration of the market. The study will also assist stakeholders and interested parties in understanding the challenges of strategy implementation in the same industry and how to overcome them.

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## APPENDICES

### Appendix I: Introduction Letter

Achelis Kenya Ltd

Funzi Road, off Enterprise Road, Industrial Area.

P. O. Box 30037,

GPO Nairobi, Kenya,

Dear Sir/Madam,

#### **RE: REQUEST FOR RESEARCH DATA**

I am a postgraduate student at the University of Nairobi undertaking research in the topic; “STRATEGY FORMULATION AND IMPLEMENTATION AT ACHELIS KENYA LTD”. You have been selected for this study. I would therefore highly appreciate if you could provide me with information requested in the interview guide at the earliest convenience. I wish to guarantee that the information provided would be treated confidentially. And will be used only for research purposes. I look forward to your favorable response.

Thank you.

Yours sincerely,

Nicholus Kithinji



## Appendix II: Interview Guide

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

### PART A: BACKGROUND INFORMATION

1. Gender.....
  
2. Name of department:  
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3. What is your designation?  
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4. What is your total work experience in years?  
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5. What is the total number of employees in your department? .....

### PART B: STRATEGY FORMULATION

6. Does your organization have a formal documented mission and vision statements?  
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If Yes in (1) above, please indicate the people that were involved in the formulation of the company's mission and vision (titles).

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What are the Strategy formulation Steps at your company?

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In what ways does the company's corporate culture influence strategy formulation at your company?

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What are the factors that cause the alteration of the company's mission and vision?

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Does your company adopt proactive or reactive approach in strategy formulation? Please elaborate.

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In your own view are good strategy formulation practices important in the implementation of strategy in the material handling industry in Kenya? Explain.

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In what ways do strategy formulation practices affect the success of the company?

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**PART C: STRATEGY IMPLEMENTATION**

7. Which areas are of vital importance to long-term successful strategy implementation at your company?

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8. How are the organizational vision, mission and key policies communicated during the strategy implementation process?

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What strategic Planning Models are adopted by your company and what are their effects on Strategy Implementation?

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How does your company go about implementing the formulated strategies?

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How appropriate is the current organization structure to support the implementation of strategic initiatives?

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In what ways do strategy implementation practices affect the success of the company?

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What are the Challenges of Strategy formulation and implementation at your company?

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**THANK YOU FOR YOUR COOPERATION**