

**CHALLENGES OF STRATEGY IMPLEMENTATION: A CASE  
STUDY OF KENYA PIPELINE COMPANY LIMITED**

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## DECLARATION

This research project is my original work and has never been presented before for the award of a degree or for any other purpose in a university or any other institution.

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This research project has been submitted for examination with my approval as the University supervisor.

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## **DEDICATION**

This research work is dedicated to my mom and dad; Monica and Jeremiah Mutambuki and to my wife and sons; Lena, Aaron and Brian respectively.

## **ACKNOWLEDGEMENT**

I would like to acknowledge the tremendous support I received from various individuals throughout my study period. Thanks to my supervisor Dr. Wahome Gakuru for his support to ensure this research attained recommended professional standards.

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Finally, I appreciate the support accorded to me by the staff and the management of Kenya Pipeline Company Limited, especially by availing to me the necessary data for this project paper without which this study would not have been successful.

Once again thank you all and God bless.

## **ABSTRACT**

The researcher was motivated to undertake this study by the desire and with a general objective to establish challenges of strategy implementation at KPC. Strategy implementation is seen as the continuation of the planning process as it turns the crafted strategic plans into actions to achieve an organization's objectives. Strategy implementation is a social and political process in which different interest groups with conflicting interests and bargaining powers interact each playing its own game. For effective strategy implementation, the strategy must be supported by an appropriate organization structure, reward system, organizational culture, resources and leadership. All stakeholders must support the process while the top management must play a lead role in the implementation process.

The researcher used a case study design. Primary data was collected through face-to-face interviews with the aid of an interview guide while secondary data was obtained from the company strategic plan and periodic reports. The data collected was then analyzed using qualitative analysis technique. Nine top management level employees were interviewed and all had over three years experience working with the company.

The findings of the study indicated that KPC indeed faces a number of strategy implementation challenges; some prosaic to strategy implementation process and others distinctive to KPC's nature of operations. The study draws out the conclusion that today's and tomorrow's strategy implementation success for KPC is founded on the firm's ability and efforts to establish and sustain relevant preconditions to successful strategy implementation process.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1. Background of the Study**

The environmental conditions facing most firms are complex and ever changing and will continue to change rapidly, radically and unpredictably (Burnes, 1996). To deal with such unprecedented level of change, a lot of thinking has to go into the issue of how strategies are best formulated and successfully implemented. Due to the changing environment, organizations have to constantly adapt their activities and internal configurations to reflect new external realities as they arise. Failure to do this may jeopardize the future success of the organization (Aosa, 1992).

Strategic management is about managing the future and therefore effective strategy implementation is crucial as it directs the attention and actions of an organization. However, the elements of rationality as is introduced by strategy are disruptive to the historical culture and threatening to the political processes existing in a firm with the typical organizations' reaction being to fight against the disruption rather than respond to the challenges posed by the environment.

#### **1.1.1. Strategic Management**

Strategic management is a logical, systematic and objective approach to determine the overall direction to the whole enterprise, (Gerry and Kevan, 2002). Hax and Majluf (1996) view strategic planning process as a disciplined and well defined effort aimed at a complete specification of firm's strategy and the assignment of responsibility to its executive. In support of this, Thompson and Strickland (1992) gave five tasks envisioned in the strategic planning process as; developing a concept of the business and forming a vision of where the organization needs to be headed; translating the



mission into specific long term and short range performance objectives; crafting strategy that fits the organization's situation and can produce the desired results; implementing and executing the chosen strategy efficiently and effectively; and evaluating performance, reviewing the situation, and initiating corrective adjustments.

All organizations, whether for profit or non-profit, private or public have found it necessary to engage in strategic management in order to achieve their corporate goals. The organizations of today are therefore required to think strategically than never before, translate their insights into effective strategies to cope with their changed circumstances and develop rationales necessary to lay ground work for adopting and implementing strategies in the ever changing environment (Bryson, 1995)

### **1.1.2. Strategy Implementation**

A firm develops the tactics for achieving the formulated international strategies and this is known as strategy implementation. Strategy implementation is usually achieved via the organization's design, the work of its employees, and its control systems and processes. Crawford, Blackstone and Cox (1988) argued that the real value of a decision surfaced only after the decision is implemented. That is to say, it is not enough to just select a good strategy and that results will not be achieved until the decision is adequately implemented.

To execute a strategy and move an organization in the chosen direction calls for a given set of managerial tasks and skills (Thompson and Strickland, 1992). Actually, implementation cuts across all aspects of management and must be initiated from many perspectives inside the organization as it affects the organization from top to

bottom impacting on all functional and divisional areas of business (Thompson and Strickland, 1992). Whereas crafting a strategy is largely an entrepreneurial activity, its implementation is an internal and administrative affair. Executives must therefore lead, support, follow up and live the results of strategic planning and implementation process (Thompson and Strickland, 1992). According to Drazin and Howard (1984), strategies can only be implemented as envisioned if three conditions are met. Firstly, those in the organization must understand each important detail in management's intended strategy. Second, for collective action, the strategy needs to make as much sense to each member of the organization as they view the world in their own context, as it does to top management. Finally, the collective intentions must be realized with little unanticipated influence of external political, technological or market forces. To fulfill this, commitment of top executives and senior managers is required whether implementation is happening in a department or entire organization.

Apparently, strategic change generally calls for change in how internal activities are conducted and administered to counter any resistance tendencies by parts of organization to the new strategy. Employees' commitment to the strategy is achieved through motivation, incentives and rewarding good performance. One of the first implementation steps is selection of a strong management team with the right mix of skills for the key positions (Thompson and Strickland, 1989). Furthermore, Peters and Waterman (1982) observes that it is common with well managed companies that what the manager says has significant bearing on down-the-line strategy implementation.

### **1.1.3. The Petroleum Industry in Kenya**

The Energy Act, 2006 defines “petroleum” to include petroleum crude, natural gas and any liquid or gas made from petroleum crude, natural gas, coal, schist, shale, peat or any other bituminous substance or from any product of petroleum crude, natural gas and includes condensate, while “petroleum product” is translated to mean Super petrol, Regular petrol, Kerosene and Automotive Diesel.

The East and Central African countries are net importers of Petroleum Products i.e. refined petroleum products and crude oil processed at the Kenya Petroleum Refinery Ltd (Mailu, 2009). The region’s petroleum products inlets are the port of Mombasa - Kenya into the region through the Northern Transport Corridor and the port of Dar es Salaam - Tanzania into the region through the Central Corridor. The major concern for Kenya has been security of supply of petroleum products, fuel prices and capacity of transportation and distribution infrastructure to meet the ever escalating demand.

The transportation and distribution of petroleum products in Kenya is by a network of the pipeline, railway, roads and lake transport systems that forms the Northern Corridor – Mombasa to Nairobi through Eldoret and Kisumu to Uganda, Rwanda, Eastern DRC, Burundi, Northern Tanzania and Southern Sudan. This petroleum supply logistics is expected to change due to the discovery of oil in Uganda and plans by Uganda to construct an inland refinery. Indications are that Uganda will be able to refine about 100,000 barrels of oil per day which will meet Ugandan market demand, with surplus for export to Kenya and other countries in the region (Mailu, 2009).

The demand for petroleum products in Kenya is met by importation of crude oil and refining the same at the Kenya Petroleum Refineries Limited (KPRL). This supplies

about 50% of the total demand and the remaining balance of 50% is met by importation of refined petroleum products. Crude oil is imported through an open tender system (OTS) coordinated by the Ministry of Energy. All licensed importers of petroleum products are required by law to participate in the crude oil processing. Through this arrangement KPRL is protected through a minimum base load processing of 1.6 million tonnes of crude per year, which meets about 50% of the total petroleum demand. The licensed importers share this base load prorated to their market shares. The Ministry of Energy coordinates another OTS for the importation of 35% of refined products (white petroleum) in which all licensed companies are entitled to participate. The companies are allowed to import the balance 15% on their own outside the tender requirements (Energy Regulatory Commission, 2008).

#### **1.1.4. The Kenya Pipeline Company Limited**

Kenya Pipeline Company Ltd, whose vision is; “To be a globally predominant petroleum products handling and related services provider” was incorporated on 6th September 1973 under the companies Act (Cap 486) and started commercial operations in 1978. The Company is a State Corporation under the Ministry of Energy with 100% government shareholding. The company operations are also governed by relevant legislations and regulations such as; Finance Act, The Public Procurement Regulations, amongst others. Kenya Pipeline Company operates a pipeline system for transportation of refined petroleum products from Mombasa to Nairobi and western Kenya towns of Nakuru, Kisumu and Eldoret, as the cheapest mode of fuel transport.

Kenya Pipeline Company facilitates the implementation of Government policies by acting as a Government agent in specific projects - as directed through the Ministry of

Energy - such as the extension of the Oil Pipeline to Uganda and the liquefied petroleum gas import handling and storage facilities. It also assists in the fight against fuel adulteration and dumping and ensures efficient operation of petroleum sub-sector. Its overall objective is to provide the economy with the most efficient, reliable, safe and least cost means of transporting petroleum products from Mombasa to the hinterland by building a pipeline for conveyance of petroleum products for the account of the Company or for the account of others. The company is also supposed to own, manage or operate such pipelines and any other pipelines (whether or not built by the Company) and all ancillary pumping, storage and related facilities as the it may consider desirable and to manufacture, construct, maintain or modify any of the same. It is also to market, process, treat and provide transport and other distributive facilities, outlets and services in connection therewith.

Kenya Pipeline Company limited receives from stakeholders, stores, transports and dispenses refined petroleum products which are; unleaded Motor Gasoline (Premium Grade), unleaded Motor Gasoline (Regular Grade), automotive Gas Oil (Diesel), illuminating Kerosene and Jet A-1 (Aviation Turbine fuel). The Company's customers are the oil marketers including; Caltex, Dalbit, Engen, Fuelex, Gapco, Hashi, Hass, Jovena, Kenol, Kobil, Mafuta products, Metrol, Mobil, National Oil Corporation of Kenya, Petro, Shell, Total oil and Triton.

Pipelines are a cheap and safe mode of transporting fuel to the hinterland. Mailu (2009) in his study on “*reduction of oil transportation costs*” observed oil transportation tariffs in Kshs. Per m<sup>3</sup> / Km to be; 8.5 on road, 7.5 on railway and 4.5 on pipeline thus concluding pipeline transport to be the cheapest by far in Kenya. Within the region, there exists only one refined petroleum products pipeline owned by

KPC which traverses Kenya from Mombasa to Nairobi, Nakuru, Eldoret and Kisumu. This transports over 90% of the products consumed in Kenya and about 80% of products consumed by the neighboring countries of Uganda, Rwanda, Burundi, Northern Tanzania, Eastern Democratic Republic of Congo and Southern Sudan.

#### **1.1.5. Kenya Pipeline Company Limited Capacity Enhancement Strategy**

The current pipeline system in Kenya experiences capacity constraints to meet the increasing demand for petroleum products as the economy grows and in recognition to this KPC has been implementing various strategies to increase its capacity to match the market demand for its services (Mailu, 2009). The key strategy adopted by KPC is the expansion and capacity improvement strategy. Due to the high construction cost and technical concerns, pipelines can only be extended to regions whose fuel demand can ensure technical and economic viability. However, in spite of some regions in Kenya recently shifting to this category due to economic growth, extension of pipeline services to them still lacks. KPC is however addressing these capacity constraints through the capacity enhancement program (CEP). The first phase of the program entailed construction of four additional pump stations along the Mombasa – Nairobi section of the pipeline system to augment the existing four pump stations in order to increase the product flow rate from 440m<sup>3</sup>/hr to 880m<sup>3</sup>/hr. The project was commissioned in November 2008 but only achieved a flow rate of about 540m<sup>3</sup>/hr against the target of 880m<sup>3</sup>/hr. The second phase of the project will entail construction of a parallel pipeline from Nairobi – Eldoret so as to enhance supply of petroleum products to Western Kenya and neighboring countries to meet the growing demand. This includes construction of a 325km 14-inch diameter pipeline with mainline and booster pumps to achieve a flow rate of 394m<sup>3</sup>/hr in the current plan and mainline

pumps and associated works to achieve a flow rate of 534m<sup>3</sup>/hr in the year 2022. The last phase is construction of additional mainline pumps to achieve a flow rate of 709m<sup>3</sup>/hr in the year 2026 which is at advanced planning stage (Mailu, 2009).

Other projects under implementation by KPC include Kenya – Uganda petroleum products pipeline extension being developed jointly by the Government of Kenya, the Government of Uganda and Tamoil East Africa Limited as the project developer. This aims to enhance supply of petroleum products to the region at the most least transportation cost, reduce road damage and carnage and provide an environmentally safe means of transporting petroleum products. The project entails installation of about 340 Km long 10-inch pipeline tie into the Mombasa – Eldoret pipeline system, installation of pumping station at Eldoret and an intermediate booster pumping station and construction of a storage and loading terminal at west Kampala. This project is at the definitional stage and the Heads of Agreement (HOA) between the two governments and Tamoil East Africa Limited (TEAL) was signed on 27th January 2007. Environmental impact assessment study (EIA) was completed and licenses issued by National Environment Authority of Uganda and that of Kenya and front-end-engineering design (FEED) done. Land acquisition for the pipeline way-leave is still ongoing while project documents have been finalized pending governments' approval. The final investment decision has not been taken thus delays (Mailu, 2009).

Other capacity enhancement projects by KPC include; the Kisumu oil jetty project to enhance transfer of petroleum products from the pipeline system to the lake vessels for transportation to Northern Tanzania and other neighbouring countries which entails installation of three dedicated product lines from the tank farm at the depot to

the oil jetty including necessary connections and associated works; construction of a parallel pipeline to the existing Mombasa – Nairobi pipeline to enhance capacity for transportation of petroleum products to meet future demand; construction of Mombasa truck – loading facility to provide ‘common user’ truck loading facilities in order to enhance distribution of petroleum products in the Coast region; and points of presence establishment both internally (Nanyuki, Lokichogio, Namanga, Mwanza, Lungalunga and Taveta) and externally (Rwanda, Burundi and Tanzania) which may involve construction of storage and truck loading facilities (Mailu, 2009).

## **1.2. Research Problem**

Organizations operate in an open environment which has become uncertain, dynamic and tightly interconnected and in order to thrive in this dynamic and competitive environment, they must formulate and successfully implement sound strategies. Strategic management involves strategy formulation, implementation and control and though good strategies have been formulated by many companies, by experience, very little has been achieved in their implementation (Kaplan and Norton, 2001). The failure of these strategies maybe attributed to a number of challenges that may not have been addressed adequately at the formulation and implementation stages.

The demand of energy all over the world has grown and changed drastically since industrial revolution (Ngige, 2006). Since 2005, the demand has risen by 4.8 billion litres a day and is projected to shoot by 50 billion litres a day in the next two decades. The demand in East African region alone has increased by 4.5% from 2002 to 2004 (KPC strategic and strategic plan 2005/6 – 2009/10). In the last ten years, Kenya has



been experiencing rising fuel demand due to increased economic growth coupled with lack of alternative source of energy thus increased demand for KPC's services.

In spite of various strategic responses by KPC to effectively meet this demand, petroleum supply chain logistics and their cost implications on downstream retail prices have continuously taken an alarming trend in Kenya giving the industry strategists sleepless nights KPC inclusive. KPC's problems stem mainly out of its low infrastructure capacity. The pipeline system has not been expanded to reach all the cities and / or economically active areas within the region thus serious capacity challenges to delivery of oil. The storage facilities also need expansion to cater for increased importation of oil (Mailu, 2009). Ordinarily, it is expected therefore that KPC should have by now successfully implemented strategies already in its strategic blue print to satisfy the ever growing demand and stabilize pump prices for petroleum products, which is by far not the case. The big question is; what stands in the way of KPC's strategy implementation?

Several studies on challenges of strategy implementation have been done by Kenyan scholars. These include Kimeli (2008) who concentrated on KRA, Koskei (2003) studied the case of Telkom Kenya, Ateng (2007) studied the ministry of finance, among others. However, there is no known study that has focused on the challenges of strategy implementation at Kenya Pipeline Company limited which is the only pipeline transporter in the region. This study therefore seeks to bridge this knowledge gap and is motivated by the uniqueness of an organization whose strategic operational success or failure seem to impact on all entities across the economies in the region, be it corporate or individual stakeholders in the production–consumption cycle. The

study shall achieve its objective by answering the question; what challenges is KPC facing in implementing its strategies?

### **1.3. Research Objective**

To determine the challenges that Kenya Pipeline Company Limited is facing in implementing its strategies.

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

The study will be significant to KPC strategic managers and decision makers as it will give valuable insights on challenges facing strategy implementation in the company while giving possible guidelines on overcoming the challenges. The study findings will enable the company re-evaluate whether its strategy implementation has been as successful as desired and if not which phases to revisit and improve upon.

The study will also help managers in other organizations to internalize the subject of strategy implementation and the processes involved thus making it easier for them to manage their organizations more efficiently.

The academicians and researchers in the field of strategy implementation will find this study useful in guiding on any future related studies and as a resource for reference.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 The Concept of Strategy**

Strategy, like many other concepts in the field of management means different things to different people and organizations and there is no agreed all embracing definition of strategy but rather it is an elusive and somewhat abstract concept and this is always expected when dealing with an area that is constantly evolving (Grant, 2000). Strategic management as a discipline originated in the 1950's and 1960's and although there were various early contributors to the literature, the most influential contributors were Chandler, Mintzberg, Ansoff and Drucker. Being a multi-dimensional concept, different authors have defined strategy in different ways.

Chandler (1962) defines strategy as the determination of the basic long term goals and objectives of an enterprise, the adoption of the courses of action and the allocation of resources necessary to carry out these goals. He further recognizes the importance of coordinating the various aspects of management under one all-encompassing strategy. Prior, the various functions of management were separate with little overall coordination or strategy in place. Typically, inter-departmental or functional interactions were handled by one or two boundary managers that solely relayed information between two functions or departments. Chandler (1962) also emphasized the essence of taking long term perspective when looking to the future. He showed that a long term coordinated strategy was necessary to give a company structure, direction and focus- concisely he said "structure follows strategy".

Ansoff (1965) built on Chandler's work by adding a range of strategic concepts and also came up with a new dimension to strategy. He came up with a strategic grid that

compared market penetration strategies, product development strategies, market development strategies and vertical and horizontal integration and diversification strategies. He postulated that management could use these strategies to systematically prepare for future opportunities and challenges. In his 1965 classical corporate strategy, he developed the gap analysis still in use to date in which we must understand the gap between where we stand currently and where we would like to be. Subsequently, Ansoff then developed what he called the “gap reducing actions”.

Drucker (1954) had many contributions to strategic management but two were core. Firstly, he stressed on objective setting by comparing a firm without clear objectives to a ship without a rudder. He came up with the theory of management by objectives (MBO) and argued that the procedure of setting objectives and monitoring progress towards them should permeate the entire organization top to bottom. The second contribution was in predicting the today’s intellectual capital which he referred to as the “knowledge worker” and went ahead to explain consequences of this to management. He said that knowledge work is non-hierarchical as work will be in teams with the most knowledgeable in the task at hand being the temporary leader.

Mintzberg and Quinn (1991) described strategy as a plan or a pattern that integrates organization’s major goals, policies and actions into a cohesive whole. Strategy is the match between organization’s resources and the environmental opportunities and risks it faces and the purpose it wishes to accomplish. It is meant to provide guidance and direction for the activities of the organization so as to achieve its objectives while responding to the opportunities and threats in the environment, since strategic decisions influence the way organization respond to its environment. Mintzberg (1993) later furthered this definition to a plan, a ploy, a position, a pattern and a

perspective. As a plan, strategy is a form of consciously intended course of action created ahead of events. As a ploy, it is seen as a maneuver to outwit the opponent. As a pattern, it is conceived in a pattern that emerges out of a stream of decisions and actions. Strategy as a position is about positioning the organization in order to achieve or maintain sustainable competitive advantage. As a perspective strategy is considered a somewhat abstract concept existing primarily in people's minds.

Porter (1996) on his part defines strategy as a creation of unique and vulnerable position of trade offs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other, and ensure optimization of effort. It is a company's "game plan" which result in future oriented plans interacting with the competitive environment to achieve the company's objectives. In support of this view, Johnson and scholes (2002) sow strategy as the direction and scope of an organization over the long term that achieves advantage for the organization through its configuration of resources in the context of a changing environment and fulfills stakeholders' expectation.

## **2.2 Corporate Strategies**

According to Porter (1980), a firm's strength falls either under cost advantage or differentiation and this brings about three generic strategies as; cost leadership, differentiation and focus which are applied at business level. The cost leadership strategy strives towards efficiency by producing high volumes of standardized products taking advantage of economies of scale and experience curve effect. The product is often basic with no frills, produced at relatively low cost and made available to a large customer base thus attracting a bigger market. Maintaining this

strategy calls for continuous search of cost reductions in all aspects of business. This is by controlling production costs, cost of material supply, cost of product distribution increasing capacity utilization, and minimizing other costs including advertising (Projogo, 2007). Pearce and Robinson (1997) argue that for a firm to sustain cost leadership strategy, it must be able to accomplish one or more of activities (including procuring of raw materials, processing, marketing and distribution of its products) in its value chain in a more cost effective manner than its competitors.

Differentiation strategy focuses on creating differential value and having customers perceive the premium value of the product which uniqueness creates loyalty to customers (Porter, 1996). The focus strategy calls for concentration on certain niche markets, specific product lines and consumer groups and concert efforts to develop this market. According to Thompson and Strickland (1998), focus strategy applies best where the industry has multi-niche segments allowing a firm to pick on a niche that could give the greatest returns as per the firm's resource distinctive competences.

Expansion is another of strategies used by firms to ground and position themselves in the market competitively. This may be in the form of diversification to increase the market share, improve on profit margins, financial and technical capabilities (Mogeni, 2008). Expansion also takes the form of improved operational capacity including production, storage and distribution capacities. Strategic expansion requires thorough knowledge of customer needs; current and future so as to produce goods and services that suit these needs by effective application of firm's internal capabilities. It is also important to study the opportunities available in the market while internal firm's

capabilities to expand need to be properly analyzed in terms of systems and structures, technology and resources necessary to adopt the expansion strategy (Mogeni, 2008).

### **2.3 Strategy Implementation**

Strategic management process can never gain meaning just because the organization makes the right choice on the strategy to pursue but only if the managers prioritize conversion of the strategic plan into action and intended performance. Strategy implementation can be viewed as an extension to planning process since a strategy is first formulated then implemented (John and Scholes, 2002). According to Pressman and Wildavsky (1979), once the initial premise of the hypothesis has been authorized, the degree to which the predicted consequences take place is referred to as implementation. It may also be viewed as a process of interaction between the setting of goals and actions geared to achieving them.

Pressman and Wildavsky (1979) argue that, initial setting of goals through designed innovative policies, securing of initial local agreements and commitment of funds can be said to be the core pillars for any implementation process but not without the “technical details” that shape the process. Pressman and Wildavsky (1979) emphasized on what the forces producing policies do to implementation process with time. As time elapses, numerous changes emerge which had initially not been a source of concern and implementation turns complex and convoluted characterized by slow dissolution of agreements, delays and emergence of diverse perspectives among actors. Chains of unanticipated decision points requiring numerous clearances by different actors provide occasions for frustrating delays. From the start of implementation therefore; we must appreciate the number of steps involved, the

number of participants whose preferences have to be considered, the number of separate decisions that are part of what we think of as a single one and the need for coordination to move the implementation machinery fast enough to capture the agreements while they last (Pressman and Wildavsky, 1979).

Bardach (1977) reviewed strategies employed by bureaucracies to impede enactment of new laws and compared implementation process to assembling and running the machinery that turns programs or policies into goals. He observed that, implementation problems are control problems specific to assembly activities that constitute implementation processes. However, it is apparent that the elements of the process are quite similar ranging from administrative and financial accountability mechanisms, willing participation of clients, clearances by regulatory agencies, sources of funds, trouble fixing, political support, innovations at the realm of program conception and design among others as the list is non-definitive (Bardach, 1977).

Bardach (1977) likened implementation to politics in that the various elements are in the hands of various parties most independent of each other and the only way to induce such parties to contribute the elements is by persuasion and bargaining. The idea of “games” revolves around the players, what they regard as the stakes, their strategies and tactics, their resources for playing, the rules of play and nature of communication among the players and the degree of uncertainty surrounding the possible outcomes. Parties in implementation games may be unwilling to play while others may demand changes in certain game parameters as a precondition to play. Bardach (1977) thus summarized the implementation process as the playing out of a number of loosely interrelated games whereby necessary elements are withheld from



or delivered to the program assembly process on particular terms and even with the best assembly process, the classic symptoms of underperformance, delay, and escalating costs are bound to appear as the games unfold.

According to Bryson (1995) strategy implementation is a process by which management translates strategies and policies into action by development of programs, budgets and procedures and which may involve changes within the overall culture, structure and/or the management system of the organization. Thompson and Strickland (1992) were of the same idea that, the firm has to build its capacity to execute its strategy by developing strategy supportive programs, strong commitment to organizational objectives and strategy, linking reward structure and motivation to strategic goals, creating a work environment and culture that is in tune with the strategy and installing policies and procedures that enhance implementation process.

Porter (1980) on the other hand elucidates effective strategy implementation to consist of a translation of the strategy into more detailed policies understood at the functional level of the firm. This also helps highlight practical issues that may have been invisible at higher managerial level. Key translational areas would include; procurement, information system, human resource, marketing, research, development and production. Since policies and procedures govern how organization runs its day to day activities, any time a new strategy is introduced, managers should review existing policies and operating procedures in support of execution of the new strategy. The organization must also match the strategy to its resources, firm's circumstances and objectives. For successful strategy implementation, critical resources - whether physical, financial or human resources - must be allocated to the process and the

allocation criteria are based on the contribution of the proposed resources to the ultimate achievement of the firm's goals and objectives (Porter, 1980). Priority is to move ample resources to strategy-critical activities.

#### **2.4 Challenges of Strategy Implementation**

Successful strategy implementation depends to a large extent on the implementation process. It is observed that implementation under the best situation is exceedingly difficult and while in recent years it has been much discussed, it has been rarely studied (Pressman and Wildavsky, 1979). Strategy implementation consists a disciplined process or a logical set of connected activities that enable an organization successfully action a strategy and without which strategic goals cannot be achieved. Development of this logical approach can however be impeached by a host of factors including politics, inertia, resistance to change among others that characterize every organization and routinely get in the way of strategy implementation. It is apparent that making a strategy work is a much uphill task than formulation (Hrebiniak, 2005).

According to Pressman and Wildavsky (1979), if implementation takes longer than anticipated, barriers and changes surface into play; difficulty in obtaining multiple clearances on matters not foreseen at outset, dissolution of general agreement on policy into specific disagreements on implementation steps, existence of red tape, antagonistic relationships among participants, changes in major participants and with it the understanding that existed. Implementation participants may agree with the substantive end of a proposal and still oppose or fail to facilitate implementation due to various reasons; firstly, actors may agree with a proposal only to discover later that it is incompatible with other goals of the firm including competing for scarce

resources with other priority projects. Secondly, participants may have simultaneous commitment to other projects of their own that equally demand time and attention. In such cases, priority may go to other projects first causing delays and with it the series of changes that occur as time elapses making implementation difficult. Thirdly, dependence on others who lack sense of urgency in the project can delay implementation. These are parties consulted owing to their expertise or jurisdictional authority yet they may lack sense of urgency to the implementation process thus impeding it (Pressman and Wildavsky, 1979).

Pressman and Wildavsky (1979) also cite multiplicity of participants and perspectives characterizes implementation as governmental and non-governmental entities get involved either for their jurisdictional authority over parts of the project, for the feeling that their interest is being impinged on, or are brought in to build local support for the projects. These participants will most likely have different outlook and perspectives and so do the measures of success differ thus a potential cause of conflict (Pressman and Wildavsky, 1979). Lastly are the agreements coupled with lack of power as some participants though emphatically agreeing on a proposal, may lack resources to do anything to help its execution (Pressman and Wildavsky, 1979).

According to Bardach (1977), most challenges of implementation stem from what he likens to a system of loosely related implementation games. The dominant effect is to make politics of implementation process highly defensive. In such cases, great energies focus on maneuvering to avoid responsibility, blame, and scrutiny. These games lead to underachievement of stated objectives, delay and with it excessive financial cost. Some of the games include; implementation as “pressure politics”

where the pulling, maneuvering, bargaining and hauling of the design stage carries over to the implementation stage. Die hard opponents who lost at the adoption stage seek and find means to continue their opposition when say guidelines and administrative regulations are being written. Other initial proposal supporters, who only did so in anticipation to twist it at the implementation phase to suit purposes never expected or desirable by their original coalition partners, also seek roles in administration process. Bureaucrats and bureaucracy assert administrative control but common perception is that, lower-level bureaucrats do not carry out the instructions and orders of higher-level bureaucrats. Individual officials have own varied goals and use discretion to translate orders from above –downwards and in the process change the precise purpose the superior had in mind for the lower level staff (Bardach, 1977).

According to Bardach (1977), goals embodied in a policy mandate may change during implementation due to need to clarify ambiguities or should they have been based on weak consensus and perhaps insincerely contrived during the contest surrounding their adoption as policy opponents may have stayed quiet during adoption banking on future opportunities to achieve more decisive and less publicized victories. During this struggle over implementation, the resultant politics of renegotiating goals may lead in several directions; trimming the goals, distorting or preventing them and even adding to them in a manner that leads to an unsupportable burden (Bardach, 1977).

Diversion of resources especially money which ought to be properly used to obtain or create certain program elements by providing less in the way of exchange than is the expectation, causing delays and increased costs, seeking increased flexibility on funds use, or tailoring work environment for own gains are a common games in

implementation (Bardach, 1977). The games may not necessarily be illegal as different actors may have different priorities but which may not optimize the program goals. Bardach (1977) asserts that, the above games replicate themselves all over programs and have an impact on cost escalation as opposed to performance though it is hard to say by how much. The excesses of such demands however, may undermine the abilities of managers to focus and concentrate resources to some supposed threshold point below which expenditure is likely to be ineffective (Bardach, 1977).

Lindblom and Woodhouse (1993) associates the myriads of social problems including poverty, racism, gender bias, political corruption among others to lack of intelligent public policy. Despite human aspirations and efforts for intelligent public policy, mankind continues to live with relatively undemocratic and unintelligent policy making. They argue that, public policies are made by a complex political system and many social forces shape policy making including businesses as corporate officials set most policies in market oriented societies on production, distribution, and related transactions of goods and services. Business managers therefore acts using their available resources to either impede or facilitate policy making and implementation process depending on their business interests (Lindblom and Woodhouse, 1993).

Lindblom and Woodhouse (1993) also cite cognitive limits and impairments of human mental capacities relative to the complexities of policy problems as a force that influence implementation as social realities and associated problems are so complex that the capacity of human mind is very small to give solutions required for objectively rational behavior in the real world. Lastly is the conflict between analysis and power where, though policy making should be thoughtful, systematically

analyzed and scientific at the same time people want it to be democratic and hence necessarily an exercise of power – bargaining, voting, trading favors – hence conflict between analysis and power. It is common that minority citizens in top positions both in government and private sector make most policy decisions and the extent to which these elites promote policy making that is democratic and intelligent is questionable. The norm is parties try to influence policy making and implementation in their favor and this scenario takes us back to what Bardach (1977) refers to as “political games” played to the detriment of sound policy making and implementation.

The challenges to strategy implementation cannot be singly studied exhaustively as they are complex and convoluted in nature and differ in intensity from organization to other but they may be clustered into a few most prosaic categories as; social- cultural and political challenges, institutional challenges, leadership and communication challenges and resources challenges.

#### **2.4.1 Socio - Cultural and Political Challenges**

A strong culture founded on ethical business principals and moral values is a vital driving force to success in strategy execution. Organization Culture is largely “the way things are done in an organization”. Each organization is peculiar in its history, mix of managerial styles, approach to problems, way of conducting activities, its own set of wars and heroes and its own experiences of how changes have been instituted. Thompson, Strickland and Gamble (2007) refer to culture as the organization internal work climate and personality as shaped by its core values, beliefs, business principles, traditions, work practices and styles of operating. It gives employees a sense of how to behave, what to do and where to place priorities to get a job done. The managers

must thus strike a balance between strategy implementation and the corporate culture. Effective actions must address the issues of behavior, attitudes and values of people in the organization in order to reduce resistance to change and enhance success in execution of the new strategy (Thompson and Strickland, 1996).

The government also affects almost each organization and aspects of life. The policy makers / politicians and government leaders are highly dynamic in their beliefs and attitudes as the social demands and beliefs change. This group often constrains business through the regulations and law which aspects can be a challenge to strategy implementation. Evans (2010) in his study found out that, changes in leadership, political unrests, constant reorganizations of government as new political systems emerge, forms part of competing activities that impeach and distract implementation.

#### **2.4.2 Institutional Challenges**

A new strategy implementation calls for organization structure adjustments in line with the new strategy. Mintzberg (1993) argues that “structure follows strategy as left foot follows right”, and this implies that the two are interrelated in many ways. The organization structure exerts certain levels of rationality which is also necessary as individuals have limited cognitive capabilities. Structure serves as firm’s formal role configuration, produces governance, control mechanism and authority in decision making process. According to Johnson and Scholes (2002) organizations can be distinguished by their structure because structure dictates how policies and objectives are established. It is the structure that largely also dictates resources allocation and if the existing structure does not support the new strategy and positively respond to the

strategic resources requirement for the implementation process, the strategy implementation is doomed to be constrained or even fail.

### **2.4.3 Resources Challenges**

According to Thompson and Strickland (2007), to implement any strategy, necessary adequate resources must be available whether financial, physical, human or technological. These resources are limited and competed for by other projects in any organization. The funding requirement of the new strategy must drive how capital allocations are done and the size of each unit's operating budget. Strategic management enables allocation of resources as per priorities established by regularly set objectives in an organization. Annual budgetary allocation of resources towards goals is a strong indication of management's commitment to the strategic plan to achieve those goals. Typically therefore, lack of such symbolic budgetary allocation signals non-commitment to the strategy by top management and this trickle down the entire organization thus impeaching the implementation process.

Jonhson and Scholes (2002) emphasizes on putting efforts in linking organization's reward system to strategic performance. Incentives such as salary raise, fringe benefits, promotions, recognitions among others can motivate employees to push hard for success in strategy implementation. If adequate resources are not allocated to motivate and direct the efforts and behavior of employees towards strategy implementation, the strategy may fail. Technology is a resource that increasingly continues to be at the core of every organizational change and constitutes major challenge in the organization of today. Organizations must incorporate the latest technologies in designing and implementing their strategies as it determines the rate



of strategic development. However, not all technologies are beneficial as some can worsen industry attractiveness as they call for huge capital investment which may not be at the disposal of the firm.

#### **2.4.4 Leadership and Communication Challenges**

The management plays a pivotal role in strategic management as it is the embodiment of the vision and mission of the organization. If the leadership of the organization lacks commitment to the strategy, the policies and the entire initiative are unlikely to receive support they require from the rest of the management and subordinate staff. Success work-place policy strategies need support, loyalty, and energy from top management to motivate action and acceptance at all levels (Marginson, 2002). In some cases top managers may demonstrate unwillingness to go the extra mile which in turn relays negative signals to the entire organization and strategic stakeholders.

Most organizations also lack institution of two way communication which permits and solicits continuous feedback from employees on issues related to strategy implementation. Lack of proper communication channels constrains flow of information to employees on new requirements, tasks and activities to be performed towards successful strategy implementation. Evans (2010) argues that, unclear strategic intentions and conflicting priorities, top-down senior management style, ineffective senior management team, poor vertical communication, weak coordination across functions or departments and business, and inadequate down-the-line leadership skills development, all of which are functions of management, constitute major impeachment grounds to strategy implementation.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the research design, data collection methods and the techniques for data analysis that were used in the study.

### **3.2 Research Design**

The researcher applied a case study design for this study. According to Kothari (1990), a case study involves a careful and complete observation of a social unit - a person, institution, family, a cultural group or an entire community. Most qualitative research is a form of case study and emphasizes on in-depth and content rather than the breath of the study. A case study was a more strategic research design to answer research questions that ask; 'how' and 'why' and which did not require control over the events as they deal with operational links that need to be traced over time rather than mere frequencies or incidences (Kothari, 1990).

### **3.3 Data Collection**

The study used both primary and secondary data relevant to the objectives of the research. Primary data was collected by way of face to face in-depth interviews with respondents with the help of an interview guide. The respondents consisted of the chairman of the board of governors of KPC, six heads and two deputy heads of departments of; finance and strategy, human resource and administration, operations, business development, corporate planning, information and communication technology, technical and engineering departments (KPC profile, 2011). These were top management employees involved in strategy formulation and implementation and were believed to provide relevant data for the study.

Secondary data was obtained from KPC's periodic progress reports and the corporate strategic and financial plan.

### **3.4 Data Analysis**

Data collected was qualitative in nature which required analytical understanding and thus the data was analyzed using qualitative analysis method. Before processing the responses, data was evaluated and edited for completeness, consistency, usefulness, credibility and adequacy (Kothari, 1990).

The researcher later analyzed the presence, meanings, and relationships of words and concepts using content analysis technique which assisted in making inferences by systematically and objectively identifying specific information and then relating them with their occurrence trends. Key themes, concepts and arguments were thus extracted using content analysis technique in an effort to have clear understanding and to deduce the challenges of strategy implementation as demonstrated in the case of Kenya Pipeline Company Limited. A similar approach has also been used by other researchers like Mogeni (2008), Evans (2010) and Ateng (2007).

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1 Introduction**

The objective of the study was to establish the challenges of strategy implementation at Kenya Pipeline Company Limited. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

Kenya Pipeline Company Limited is a class A parastatal with a turnover of over 10 billion per annum. The company structure consists of departments that cut across Operations, Finance, Engineering, Maintenance, Auditing, Corporate planning and Business development. The operations department carries out daily operational activities of the pipeline including; receiving, batching, pumping, storage and delivery of products to customers. Quality control maintains product specifications during receipt, transfer and delivery to customers at designated issuing points.

In her throughput performance, KPC serves both local and export market and posted a net profit of KShs. 2.8 billion in the financial Year ended June 2010 compared to Sh1.7 billion realized in 2007/2008. The company also posted 4.5% growth in throughput in the last two financial years while an evaluation of performance by the Government against targets set in KPC's Performance Contract for the year 2009/10 scored 1.9796, an improvement of 18% from the previous year's performance. The performance contract is entered into with the government of Kenya annually as a management tool to ensure accountability for results and transparency in management of the company resources, improve service delivery and efficiency among others. The company's key performance measures focus on throughput and the company has to pay due attention to the issues of national security.

KPC's mandate generally emphasizes on infrastructure and service provision and not specifically on profit generation as it is guided by the objective to facilitate supply and distribution of petroleum products to East Africa region and Kenya in particular starting from Mombasa to the hinter land. This aims at reducing the tear and wear on Kenyan roads by heavy tankers besides providing efficient, safe and reliable transportation mode for petroleum products. To achieve this mandate, KPC owns and operates the white petroleum products pipeline from Mombasa to Nairobi and onwards to Nakuru, Kisumu and Eldoret and maintains a transport and storage agreement with oil marketing companies. However, she has been experiencing system capacity constraints that hampered the company from achieving higher throughput and meeting market demand in the recent past. To address this problem, KPC has been implementing capacity enhancement program as a strategy to address its capacity constraints.

The first phase of the program – Line I capacity enhancement – entailed construction of four additional pump stations along the Mombasa – Nairobi section of the pipeline system to augment the existing four pump stations and increase the product flow rate from 440m<sup>3</sup>/hr to 880m<sup>3</sup>/hr. The project was commissioned in November 2008 but only achieved a flow rate of 540m<sup>3</sup>/hr due to technical problems. The technical hitches were addressed and a parallel pumps test runs undertaken in August, 2009 achieved a flow rate of 810m<sup>3</sup>/hr. The second phase of the project entails construction of a 14 inch, 325 Km parallel pipeline from Nairobi – Eldoret which commenced November, 2009 and is said to be about 60% complete currently. This will enhance supply and meet the growing demand of petroleum products to Western Kenya and neighboring countries.

## **4.2 Demographic Data of Respondents**

The respondents for this study consisted of the chairman of the board, managing director, operations manager, human resource manager, business development manager, finance manager, engineering manager, administration manager, ICT manager and corporate planning manager. The researcher did not interview all the respondents as the managing director was outside the country during the interview while two senior managers were locked up in a week long seminar at Mombasa thus unavailable for the interview. However, their deputies were interviewed on their behalf and this resulted to 90% response rate considered adequate for the study.

Majority of the respondents have had adequate experience on challenges facing strategy implementation at KPC as they all fall under senior management category and have been directly involved in strategy formulation and implementation in the company for more than three years. All the interviewees were at least graduate degree holders and long time professionals in their respective fields and displayed great understanding to the research subject matter. It is therefore felt that they were of great help to realization of the research objective.

## **4.3 Challenges of Strategy Implementation at KPC**

KPC has faced challenges in information, technology, and political fields as a result of dynamic and turbulent business environment. Emerging challenges identified include discovery of oil in Uganda and plans by the Government of Uganda to construct an inland refinery, revamping of the railway system and the planned privatization of KPC all which call on the company to rethink its strategy and business direction. Other challenges that KPC has been strategically responding to include; policy reforms such as liberalization of the oil sector, fight against dumping

and adulteration of petroleum products, introduction of unleaded and low sulphur diesel, meeting social demand for LPG gas and most importantly the extension of the oil pipeline to Uganda and expansion of the Mombasa – Nairobi – Eldoret pipeline capacity to meet increasing oil demand both at the hinterland and the region. It is in view of the above challenges that the board developed a new corporate strategic plan to provide the framework for the company's activities in the next five years in a bid to give KPC a new strategic direction for future growth.

In the process of implementing her strategies in order to enhance efficiency in service delivery, KPC faces a number of challenges. The respondents identified different factors hindering effective strategy implementation in the company ranging from; organization structure, social-cultural and political challenges, inadequate resources, leadership and communication challenges. However, these challenges have not been taken lightly by the company and various measures continue to be undertaken to overcome them so as to move the organization towards realizing her goals.

#### **4.3.1 Institutional Challenges**

From the study, indications were that the organization structure has at some occasions hindered strategy implementation instead of facilitating how work is carried out in business units and functional departments as it is meant to do. The vertical structure adopted by the company though good as a control measure, has impacted on decision making process and in effect is believed to slow down implementation process as multiple approvals are sought from the top levels and in some cases leading to delays in implementation and escalating implementation cost as time passes on. Some of respondents attributed the structural challenge partly to the bureaucratic way

government agencies are normally run and suggested that privatization could partly solve the problem as it would pave way for revision of the structures in line with the business demands focus while eliminating political interferences. This would address the growth of staff departments, points of presence and the designation of clear flow that is meant to address inadequacy in knowhow of the key implementation stages. The respondents further pointed out that some roles and functions were not clearly structured and lacked supporting structure. In addition, management's failure to take initiative in creating and sustaining favorable environment to incorporate all stakeholders in implementation process had been a common impediment. The respondents suggested alignment of the organization structure with the strategy and ensuring conducive working environment to allow interactions among all stakeholders at all implementation levels which should be reinforced by continuous staff training with focus on organizational goals.

#### **4.3.2 Socio-Cultural and Political Challenges**

Various socio-cultural and political aspects were eminently found to negatively influence strategy implementation at KPC. Having 100% government holding, KPC is greatly influenced by politics in the way her strategies are implementation. To most respondents, the board of governors which oversees formulation and implementation of all strategies is an appointee of the executive government and which at sometimes makes decisions based on political forces rather than the overall business demands and strategies. Most respondents observed that the leadership of the organization more often changed each time a new political system came to power disrupting continuity of implementation process as new priorities emerged. There were occasions when



political decisions would be imposed upon the company at the expense of laid down strategic goals thus disrupting and delaying the strategy implementation process.

The great pressure to conform to National Environmental Management Authority regulations on environmental protection and safe petroleum transport, calls for KPC to refocus more efforts and resources to this end at the expense of speedy implementation. Owing to the extensive nature of KPC's strategic projects, a lot of negotiations and stake holder approvals aimed at protecting diverse social interests are involved and respondents felt that this has been a major cause of delays and diversion of strategic goals during the implementation stages.

Cultural aspects were also identified as key hindrance to strategy implementation at KPC mainly resistance to change. It was found that subordinates were mostly afraid of new strategies being implemented due to suspicion of the entire motive. Employees used to a certain way of doing things were always slow in adopting and accepting changes to the existing culture slowing down implementation. Respondents indicated that, involvement of senior management in implementation and training coupled with communication to all the staff on the essence of strategic change, were key to overcoming most of the culture related challenges to strategy implementation at KPC. Employees effectively welcomed implementation of new strategies when management used an open and communicative approach in introducing the strategy.

### **4.3.3 Resources Challenges**

The respondents unanimously indicated inadequacy of resources as a major obstacle to implementation of greatest percentage of the company strategies. Most projects

earmarked for implementation by KPC often call for huge amounts of resources including physical, financial, technological, human resources among others. These resources have often been unavailable in a single phase and are intensely competed for by other projects and various other government entities in the ministry of energy when available. Respondents expressed concerns that implementation of KPC's strategies to a large extent depended on whether and when the necessary resources were going to be availed by external partners and often than not there were delays to this endeavor. To counter this challenge, KPC was found to be adopting a system of setting and communicating workable deadlines for its projects while at the same time prioritizing on the various strategies based on available finances bearing in mind the urgency to implement each strategy.

Respondents agreed that, currently the management is making efforts towards linking rewards systems to strategy implementation at KPC. There were initially no marked efforts to set aside resources towards directing efforts to strategic goals neither were good efforts rewarded on priority when opportunities for promotion, salary raise or even recognition availed. Respondents observed that a new culture of performance was being inculcated into the entire system by acknowledging superior performance with respect to goals. This was by paying close attention to how individuals can be motivated by such means as incentives, rewards, leadership and importantly the work they do and the organization context within which they carry out that work.

From the study, KPC has recognized the competitive edge brought about by a well developed information and communication technology system and to this effect, she has put a lot of efforts to have in place an information and communication technology

strategy which has proven to be a solid resource in facilitating implementation of other strategies more effectively.

#### **4.3.4 Leadership and Communication Challenges**

It was the opinion of 60% of the respondents that leadership was indeed a major impediment to strategy implementation. The respondents felt that the management's power to front prioritization and implementation of crucial strategies was undermined by the rigid and bureaucratic nature of the company and by extension the ministry policies as is characteristic of any other government agency. Failure to embrace new ideas and innovative technologies faster enough due to lack of visionary leadership, poor leadership skills and political vested interests at the ministry's policy formulation levels trickle down to impede strategy implementation processes at KPC.

Poor coordination, lack of training and lack proper communication channels were also identified to persist in most implementation stages making staff miss the priority purpose of the strategy. There was found to exist disconnect between the employees and management and thus the intended strategy was not clearly communicated to the entire organization. The study further found that majority of the respondents indicated that poor communication was responsible for most resistance to change as majority employees did not understand what was expected of them and were also afraid of the unknown consequences.

Expertise training of top management on change management and retreats for senior management and the board were proposed to discuss and impart strategy implementation skills to the managers so as to counter these challenges. Responses

also advocated for effective staff training, evaluation of achievement of strategic goals against the target, aggregation of implementation stages and effective monitoring, evaluation and adjustment of goals as possible solution to challenges of strategy implementation at KPC. Further suggestions included engaging human resource department and business units in harmonizing all roles in the company besides employing modern performance management tools. Communication of roles and responsibilities at early stages and involvement of middle level managers early enough would also to the view of respondents mitigate some of the challenges.

#### **4.3.5 Emerging Trends Challenges**

The respondents also pointed to other recently emerging factors that were traditionally not a source of concern to strategy implementation but which have continually taken centre stage in shaping the challenges to strategy implementation at KPC. These include political instability and upheavals in oil producing countries that have direct impact on the oil industry which in turn affects the pump prices.

Two respondents cited terrorism as a challenge as it poses real threat to most business entities including targeting strategic installations like the pipeline systems and thus such threats continue to influence the way strategies are implemented as the firm must take precautions in light of such risks. Policies in international cartels like the Oil Producing and Exporting Countries have an upper hand on the regulation of oil supply while continued discovery of oil within the region including Sudan, Uganda and other neighboring countries continues to shape the logistic of oil supply in the region. In light of these discoveries, respondents felt that KPC is compelled to continuous review its strategies which in turn impacts on strategy implementation.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter provides the summary of findings and also gives the conclusions and recommendations of the study based on the study objective. The objective of the study was to identify challenges of strategy implementation in the case of Kenya Pipeline Company Limited.

### **5.2 Summary and Conclusion**

In summary, the study revealed that the respondents were aware of the various strategies KPC is implementing to enhance its service delivery capacity and the challenges the company is facing in the process of achieving its objectives. The respondents expressed thorough operational knowledge of the company acquired by virtue of having worked in the company for more than three years and also they were all involved in the day-to-day management's strategy implementation operations of the firm. Due to these facts, the research felt that the results of the study were a true reflection of the position as it is in the organization.

Kenya Pipeline Company operates in a complex, dynamic and highly regulated environment and while at the same time the company has the responsibility to deliver quality service to customers, its employees and the general public. Towards attainment of this objective the firm has endeavored to expand and modernize its infrastructure mainly through a capacity enhancement program, employment of new technologies and maintaining a workforce that is motivated and willing to steer the firm towards her objectives.

The organization strategy is clear and concise though the firm adopts a top-down approach in its strategy formulation and implementation. The management therefore feels there is need to involve in advance the lower level employees and especially the middle level managers more in strategy implementation processes that affect them. Due to non-involvement of the employees in strategy formulation stages, implementation of the same has been constrained by resistance among the employees. The organization has also recognized the essence of allocating necessary resources to the implementation process including in area of human resources, technological and financial resources. Continuous training and development programs are being incorporated into the strategy planning process to build capacity of employees to face the challenges of the business operations.

Kenya Pipeline company has faced various strategy implementation challenges according to the study including; inflexible organization structure, unresponsive leadership and management sometimes manipulated by political forces, inadequate resources and capacity of staff and un-adaptive organizational culture. It was also noted that the role of communication to strategy implementation was not well recognized at KPC. Proper communication of strategic activities can act as a cohesive force and succeed in connecting those formulating to those directly responsible for implementing the resultant strategic policies. This study found communication to be pervasive in every aspect of strategy implementation and to be related in a complex way to organizational processes and implementation objectives which in turn have an impact on the implementation process. Proper communication enhances timely feedback on progress and challenges met during implementation. It was the inferences of the researcher that, effective communication throughout the organization lead to a

clear understanding of key roles and responsibilities of all stakeholders including middle level managers who ensure employees buy in to the strategy all the time.

Another strategy implementation challenge at KPC was found to be underestimation of the implementation time ending with most implementers having schedules that were merely approximations due to unexpected developments at implementation stages. Most of these delays were largely attributed to external political interferences and partners especially the ministry of energy not providing expected implementation elements in time. Periodic elections, that lead to change of focus in the government's overall strategic plan as new political systems emerge and regular changes of leadership at KPC, were found to be activities that disrupt strategy implementation.

It is established and thus this study concludes that, effective monitoring, evaluation and adjustment of the implementation activities against target objectives to ensure they were in tandem with the corporate plan could help mitigate the challenges of strategy implementation. Effective communication, proper coordination, training on new strategies, availing necessary resources and empowering employees by motivation strategies are concluded as possible remedies to implementation challenges faced at KPC. To further respond to challenges faced in its business environment, KPC has also adopted various strategies including strategic planning, capital injection, adopting technological changes and most important capacity building. KPC, in line with the government's national information communication technology policy, has put in place an ICT strategy helping mitigate technological resource challenges of strategy implementation. Further conclusion of this study is

that, the design of the strategy by the management should inspire the staff to ensure success in strategy implementation which is vital to functioning of any organization.

### **5.3 Recommendations**

Organizations operate in a dynamic environment and thus strategies well crafted and implemented are a powerful tool for acquiring and sustaining competitive advantage. It is thus suggested that KPC should first deal with resistance to change for her effective implementation of new strategies as formulated. There is also need to invest heavily in capacity enhancement projects and technologies for effectiveness and efficiency. Since strategy formulation is not a one-off process, the management should inculcate a practice of regular review and reference making of the strategic plan throughout its lifespan. The study found that not all stakeholders are involved in strategy formulation and implementation and it is recommended that all stakeholders who are going to be involved in implementation must be involved right from the planning stages so as to improve the pace at which implementation takes place.

The pace at which the corporation was implementing its strategies was low leading to escalated costs of projects, changes in implementation partners and their perspectives and with it the initial understanding they had while political and business environments adversely changed. All these factors greatly impeach strategy implementation process at KPC. It is therefore a recommendation of this study that, the corporation should look for ways of improving the pace of strategy implementation process if it is to achieve her goals.



#### **5.4 Suggestions for Further Research**

This study focused exclusively on Kenya Pipeline Company which is a state corporation and also unique as it is the only company owning a pipeline transport mode in Kenya and the region. It is therefore suggested that this research should be replicated in other companies in the petroleum industry majority of which are privately owned and the results compared to establish if there is consistency on the challenges facing such firms in their strategy implementation and for benchmarking.

#### **5.5 Limitations of the Study**

This study was carried out within a limited time frame and resources which constrained the scope and depth of the research. This necessitated the adoption of a case study design hence the findings cannot be used to make generalizations regarding strategy implementation challenges in all firms in the petroleum industry.

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## APPENDIX I

### LETTER OF INTRODUCTION

DATE: 01/10/2011

The Respondent,  
Kenya Pipeline Company Limited.

Dear Respondent,

RE: REQUEST TO COLLECT DATA FOR MBA RESEARCH PROJECT

I am a student at the University of Nairobi in the school of business pursuing a degree of Master of Business Administration. I am conducting a research on “*Challenges of Strategy Implementation: A Case Study of Kenya Pipeline Company Limited*”.

To undertake the research, you have been selected to participate in this study as a respondent. The research will focus on face to face interview where the researcher will pose guided questions in a session lasting about 30 Minutes.

The information provided will be treated in strict confidence and used for academic purposes only and a copy of the final report will be available to you upon request.

Your assistance and corporation will be highly valued.

Yours Faithfully,

Paul M. Mutambuki

**MBA Student**

Dr. W. Gakuru

**Research Supervisor**

**APPENDIX II**  
**INTERVIEW GUIDE**

**A. Introduction**

This is a management research seeking to establish the challenges of strategy implementation at Kenya Pipeline Company Limited in response to escalating cost and demand of petroleum products in Kenya. This guide has been solely designed for the purpose of giving direction to the interview process for this study and the information contained in it shall be used for the purpose of this study only and treated in ultimate confidence.

**B. Respondent's Profile**

1. How long have you been working for the company?
2. What is your position in the company and in which department do you work?
3. What are your employment terms?
4. What is your highest level of education attained?

**C. Strategy Implementation and Related challenges**

5. In your opinion, what are the obligations / roles of KPC in meeting demand and influencing prices of petroleum products in Kenya, if any?
6. Do you feel KPC is adequately fulfilling the above mandate with ease?
7. Are you aware of KPC overall business strategy? What do the objectives of the strategy seek to address?
8. How are you involved in the strategy implementation process? What percentage of your working time do you give to strategic issues?



9. For how long has KPC's current corporate strategy been under implementation and is it within the anticipated time schedule?
10. What are some of the strategies you know that KPC is implementing in effort to keep petroleum products prices low and to adequately meet the market demand for the same.
11. Was there reference to implementation process during strategy formulation?
12. Who is leading strategy implementation and who are the key actors?
13. How do you rate the commitment of the strategy implementation team?
14. How is the strategic business objectives communicated from the top management and within the respective business functions?
15. What mechanisms were put in place to enable participants buy into the strategy implementation? Were there agreements made and with whom?
16. Was there need to train the employees and the management on organizational change before strategy implementation commenced?
17. What percentage of KPC's budget is committed to strategy? In your opinion, are the resources allocated commensurate to strategy implementation needs?
18. What has been the role of the CEO in strategy implementation process?
19. What would you say has been the role and / or impact of national politics and the government on KPC's strategy implementation process?
20. Is there a strategy implementation schedule and how is KPC meeting its time schedules?
21. Were there any major occurrences that you would say were a major setback and contributed a lot of delays to the strategy implementation process? If yes please describe.

22. Is there any link between strategy implementation and employees' reward system in your organization? How are they related if so?
23. Was KPC's organization structure reviewed in view of the new strategies? Do you feel the structure fully supports the organization strategy as it is today?
24. Organization culture, behavior and attitudes fully support the new organization strategies being implemented?
25. Briefly explain the process KPC is following in implementing its strategies.
26. To your opinion, do KPC policies and procedures support its strategy implementation process? Was it necessary to review some of the policies in line with new strategies?
27. Does the company have documented framework of monitoring strategy implementation process?
28. To what extent would you say KPC strategies are a success in checking against escalating prices and meeting the ever increasing demand of petroleum products in Kenya?
29. To your opinion, what do you feel are the main constraints / challenges KPC is facing in implementing its strategies?
30. What strategic responses has KPC put in place to address these challenges?

**Thank you for dedicating your time to this interview.**