STRATEGIC PLANNING AND IMPLEMENTATION IN NON-COMMERCIAL STATE CORPORATIONS IN KENYA

BY

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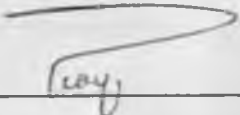A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.
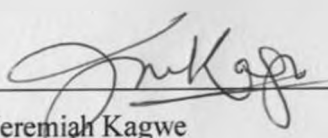
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DECLARATION

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

Signed _____ Date _12th NOVEMBER 2009_

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D61/7097/04

This research project has been submitted for examination with my approval as a University Supervisor.

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DEDICATION

To God, our creator, without whose mercy, it would not have been possible for me to complete this project.

To my parents, for their love and the sacrifices they made and for inculcating in me the spirit of working hard.

To my siblings, who made is possible for me to pursue higher education and for imbuing in me the value of teamwork.

To the memory of my late brothers (Ishmael and Henry) and my late sister Teresa for shepherding me to become the person I am today.

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ABSTRACT

The concept of strategic planning and implementation has taken root in the public sector. This study set out to document the state of strategic management in a very important segment of the public sector i.e the non-commercial state corporations. In Kenya, non-commercial state corporations are, and will continue to be, a central pillar for ensuring that affordable and accessible services are delivered to the citizenry.

The subject of strategic management has been widely covered. Seemingly, every issue associated with strategic management from a theoretical perspective-be it the origins, history, concepts, definitions and application-has been adequately covered by various scholars and in great detail. To achieve the objectives of the study, a comprehensive review of available literature was done. Strategic management as presented by various authors was analyzed with emphasis of its application to non-commercial organizations in the public sector. Arguments for and against the application of strategic management concepts in the public sector are considered. Various factors influencing the formulation and implementation of strategic plans are identified. The challenges encountered during the implementation of strategic plans are highlighted. From the literature review, it is established that the strategic management paradigm is largely applicable to non-commercial state corporations and has been successfully implemented.

This study looks at strategic management from a straightforward perspective. The study investigates, identifies and documents some of the processes, the factors influencing and the challenges faced by non-commercial state corporations in the application of strategic management theories, models and concepts. This study highlights some of the practical issues, challenges and parameters within which strategies are formulated and implemented in the public sector. Notably, this study documents the extent to which strategic plans have been implemented by non-commercial state corporations. This study has established that in the context of leadership, the political-legal environment in which the leadership is exercised is an important factor.

The findings of this study are to a large extent consistent with findings of other studies on similar topics and conducted in the public sector in Kenya. The findings of this study have presented new insights by bringing out how the senior management in charge of strategic planning and implementation in non-commercial state corporations conceptualize and implement strategic plans. This study ranks the factors and challenges of strategy implementation from the perspective of senior management in the non-commercial state corporations. The ranking is based on mean scores computed based on a Likert type profile. The study reviews the ranking and brings out elements that may hamper the adoption of a properly conceptualized strategic management approach in non-commercial state corporations in Kenya.

This study has confirmed that strategic management is widely practiced amongst non-commercial state corporations in Kenya. It was also found that neither the corporation's annual budget nor the number of employees determines whether or not strategic management will be adopted by a state corporation.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The concept of strategic management has in recent years grown in stature and importance thus covering all facets of management (Ansoff,1991).Strategic management has been widely acclaimed as one of the effective management tools in strengthening organization performance through effective decision making and systematic planning and implementation (Wheelan and Hunger, 1995). An organizations strategy is an important element of the management process (Aosa, 1992). Although strategic management was more prevalent in the private sector, interest in the use of strategic management in the public sector has increased. This is mainly because despite the existence of differences in some aspects between the private and the public sector, similarities in terms of organizational behaviour and managerial practices render a sound platform for private sector born strategic management to be implanted in the public sector (Yousoff, 2008).

1.1.1 Strategic planning and implementation
The idea of strategic planning and implementation seems straight forward: namely that a strategy is formulated and then implemented (Leslie, 2008). However, bringing strategy into action is a far more complex concept (Johnson and Scholes, 2004). In addition, a precise definition of strategic management may not be easy to obtain because, whereas some elements of strategic management have universal validity and can be applied to any institution, others are heavily dependent on the nature of the organization, its constituencies, its structure and its culture (Hax and Majluf, 1996). Over time therefore, focus on strategic management has shifted towards looking at the essence of strategic management (Mintzberg and Quinn, 1991). This has lead to the recognition that the characteristics of strategic management help in creating a better foundation for understanding what strategic management really is (Johnson and Scholes, 2004). The formulation and implementation of strategies designed to achieve the objectives of the organization has been regarded as strategic management (Pearce and Robinson, 1991). Strategic management encompasses strategic planning and implementation (Leslie, 2008).

1.1.2 Importance of strategic planning and implementation in non-commercial state corporations

Thompson and Strickland (1992) argue that the most trustworthy sign of good management is a good strategy which has been implemented in a good way. Monumental resources are being devoted to public institutions (Herzlinger, 1996). This underpins the collective perception of the value of public organizations. However, public sector organizations have been plagued by a myriad of problems (Aseto and Okello, 1997). Herzlinger (1996) identifies four major problems associated with the management of public institutions. First, many public institutions have been largely ineffective and rarely achieve their goals. Second, they have been generally inefficient, are more obsessed with fund raising and administration rather than service delivery. Third, individuals who control public institutions are concerned with attaining excessive benefits for themselves almost bordering on outright abuse of office. Finally, public institutions if left uncontrolled tend to take on more risk than private institutions. In the face of these problems, clear measures of success are increasingly being demanded by the employees, the general public and other stakeholders, thus calling for a sophisticated approach towards engaging the organizations internal and external stakeholders. Consequently, strategic planning and implementation is an important tool for assisting public sector organizations to not only confront the problems they face, but also to assist them achieve their stated mandates.

In recent times, public institutions have come under great pressure from a multiplicity of stakeholders. A number of issues have recently emerged thus underlining the need to adopt a strategic planning approach to public sector management (Kate and Blair, 1990). Some of the issues identified include (i) the need to deal with an ever more fragmented and unruly political process in legislature and elsewhere; (ii) more strident demands by the public for new services that were not previously being provided e.g environmental protection; (iii) the emergence of larger and more complex organizations in the private sector; (iv) the government role is shifting away from service provision towards ensuring that services are provided; and (v) the diminishing resources available to the public sector. Strategic planning and implementation is therefore important because the pressures faced by most public institutions are too great for old models of managing to suffice (Taylor, Chait and Holland,1996).

1.1.3 Non- Commercial State Corporations in Kenya

State corporations in Kenya are established by acts of parliament in line with the State Corporations Act, Chapter 446 of the laws of Kenya. State corporations are established to meet certain broad objectives that are usually stated in the relevant act of parliament that creates a state corporation. In the African context, state corporations are heavily relied on as vehicles for development (Beyene and Otobo, 1994). According to the Public Sector Reform and Performance Contracting Committee (http://www.psrpc.go.ke), State Corporations in Kenya can broadly be classified into commercial and non-commercial state corporations. Commercial state corporations are businesses which either are fully owned by the state or are controlled by the state. Commercial state corporations have a share capital and are generally expected to generate profits and pay dividends to the government and/or any other shareholders.

On the other hand, non-commercial state corporations are not in business and do not have a share capital. They comprise mainly of regulatory, educational, research and health institutions. Regulatory state corporations exist mainly to protect consumers and ensure that there is fair competition in the market. Educational state corporations exist mainly to further access of quality higher education to the public that is affordable. Educational state corporations are also conduct research in their areas of operations. Educational non-commercial state corporations are mainly universities and specialized institutions offering higher education. Research based non-commercial state corporations mainly exist to promote and support local institutions and the general public in solving problems that confront the nation. These are mainly research centres. Health institutions that are non-commercial state corporations are mainly referral hospitals. Non-commercial state corporations are normally financed with taxes (levies and/or direct transfers from central government through budgetary allocation), donations, subsidized user charges and any other sources of revenue as approved by the government. This study focuses on non-commercial state corporations. This study also appreciates that a number of non-commercial state corporations may have some departments or activities that are operated commercially.

In order to coordinate reforms currently being undertaken in the sector, the Government of Kenya has established a secretariat (Public Sector Reforms and

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Performance Contracting Steering Committee). Among the initiatives for improving service delivery was the introduction of performance contracts for all public institutions. Embedded in performance contracting is the need for each public sector organization to develop a strategic plan. Each public institution's strategic plan contains details of the main activities to be undertaken by the organization during the planning period. As part of the performance contract, public institutions are required to monitor and report on the extent of compliance with the strategic plan.

1.2   Research problem

There is adequate literature covering various aspects of strategic planning and implementation (Young, 2009). The concept of strategic management has largely been associated with competing in the market place and has been successfully utilized (Pearce & Robinson, 2004). Public and private sector organizations have been distinguished based on the lack of commercial motives in the public sector. Arguments have therefore been put forward to the effect that adaptation and implementation of some of the private sector paradigms will not be successful as a result of structural and operational differences between the two sectors(Ring and Perry, 1985). However, non-commercial state corporations have a mission and a mandate (Osborne & Gaebler, 1992) and need to adopt modern concepts that may assist them to achieve their mandates. Strategic planning and implementation has been viewed as the pattern that integrates an organization's major goals, policies and action sequences into a cohesive whole so as achieve the organization's mission (Mintzberg, 1991).This study has drawn on the strategic planning and implementation concepts largely focusing on the private sectors(Johnson and Scholes,2004, Pearce and Robinson,1991).

Many studies which have been done on strategic management in the public sector in Kenya have not examined the unique context within which non-commercial state corporations operate. However, a contextual understanding of strategic management is so important that Pettigrew, Thomas and Whittington (2002) have argued that the primary role of research in strategic management should shift from laying down new theories to helping practitioners think more strategically about the complex and shifting world within which they operate. This study recognizes the importance of appreciating strategic planning and implementation from a public sector and African

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perspective. Many public organizations in Kenya have adopted strategic management (Safari, 2003). It is imperative that the way non-commercial state corporations have formulated and implemented strategic management be understood. In particular, how top management in non-commercial state corporations construes and enacts some principles of strategic management. This will assist in creating a better understanding of the state of strategic planning and implementation amongst non-commercial state corporations in Kenya so as to narrow the gap between strategy formulation and implementation. Literature review has not uncovered any study conducted on how non-commercial state corporations formulate and implement their strategic plans. A study of strategic planning and implementation amongst non-commercial state corporations is therefore both compelling and useful.

A number of studies have been carried out on strategic management practices in the public sector (Kang'oro,1998; Njanja,2002; Koske,2003; Otete,2003). A deep understanding of the factors influencing and the problems associated with strategic planning and implementation in the public sector is crucial in ensuring that public institutions deliver on their mandate so as to meet the various needs of stakeholders. The literature review has uncovered a void within this critical area of strategic planning research in Kenya; specifically, no study has assessed a strategic plan based upon the level of implementation of individual objectives within the plan, thus providing a fertile area for this study. This research will assess the degree to which non-commercial state corporations Kenya have implemented the individual "action steps" contained within their strategic planning documents. Furthermore, majority of the studies done on strategic management in the public sector have tended to focus on commercial state corporations. This study recognizes that there is a clear strategic and operational distinction between commercial and non-commercial state corporations in Kenya. This study therefore deliberately makes this distinction and will shed some light on the strategy processes of a very important segment of the public sector in Kenya. In addition, the state of strategic planning and implementation amongst non-commercial state corporations in Kenya needs to be updated and fully documented.

1.3   Objectives of the study

This study will:

i)   Identify the process of strategic planning and implementation in non-commercial state corporations in Kenya.

ii)   Identify the factors that influence strategic planning and implementation in the non-commercial state corporations in Kenya.

iii) Identify the challenges encountered by non-commercial state corporations in Kenya in process of preparing and implementing strategic plans.

1.4   Significance of the study

This study will be useful in a number of ways. In particular, the findings of this study have important implications for managers and policy makers in the public sector. As this study seeks to identify factors that influence the strategic planning and implementation process in the non commercial state corporations, it will inform managers and policy makers so as to make them proactive by assisting them to identify the factors that are unique to their operating circumstances and give them an insight on how to identify mechanism for dealing with complexities in the operating environment. Managers and policy makers will therefore be in a better position to anticipate the challenges of implementing strategic plans. The study will also will assist researchers and students of strategic management in gaining an understanding of the impact of the operating environment–specifically the political and legal environment –on strategic planning and implementation in the public sector. The findings of the study will enrich the knowledge and research base that has been conducted on strategic management issues from a public sector, non-profit and African perspective.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic planning

At the core of strategic management is the concept of strategy (Ansoff & McDonnel, 1990). There is no universally accepted definition of strategy (Mintzberg, Quinn and Ghoshal, 1999). In the military context, strategy has been associated with how war is conducted. In general application, strategy has been taken as a plan for attaining a goal. Mintzberg and Quinn (1991) have defined strategy using five dimensions (also referred to as 5P's). This dimensions view strategy as a plan, a ploy, a pattern, a position and a perspective. The most basic definition of strategy regards strategy as the long term direction of an organisation (Johnson & Scholes, 2004).

2.1.1 The meaning and the process of Strategic Planning

Strategic planning is a combination of strategy and planning (Leslie, 2008). In other words, it is the planning of strategy (Leslie, 2008). Strategic planning was designed to help organizations to anticipate and respond effectively to their dramatically changing environments (Bryson, 1988). Johnson and Scholes (2004) see strategic planning as a special kind of decision making process with some special characteristic. An increasing numbers of government corporations are reported as having adopted some form of strategic planning (Wechsler, 1989). However, what exactly is strategic planning? The initiation of strategic planning primarily involves a series of three activities for many governmental units, including (1) gathering key actors (preferably key decision makers) (2) working through a "strategic thinking and acting" process, and (3) focusing on what is truly important for the unit, setting priorities for action, and generating those actions (Bryson and Roering, 1988). More specifically, Eadie (1983) states that the strategic planning process consists of a number of basic activities. First the organization must have a firm grasp of those aspects of its environment identified as pertinent to its mission and goals. Often called *environmental scanning*, this activity involves identifying the scope of the scan (international, national, regional, state, and local), the demographic, economic, technological, cultural, political, and other factors to be scanned, and their implications for the organization. A variety of other activities are involved, including the determination of how much time and other resources to invest in this ongoing intelligence gathering and what techniques to employ. Secondly, the organization

must also have a good sense of itself, financially, operationally, and in the human resource dimension. The point of this *internal resource* audit or analysis is to assess the organization's strengths and weaknesses vis-à-vis particular potential courses of actions (strategies). Thirdly, environmental scanning activity will surface opportunities for new services or new approaches to service delivery within a given service area. Potential strategic targets are compared to the organization's resource base in order to determine as fully as feasible the costs of implementing a particular strategic target. Strategic objectives are selected on the basis of rough cost/benefit analysis. Finally, strategies are formulated to achieve the selected targets. In practice, they may be thought of as *implementation plans*, setting forth the major steps, accountabilities, deadlines, and resource requirements involved in achieving the target. No matter how well-conceived a particular strategy is, *implementation* depends on the allocation of resources to cover the essential costs. What this basically means is that the chief executive officer, and perhaps the legislative body, specifically budget the first year costs (of new or expanded provision of a targeted strategy) in the current or upcoming budget of the organization.

Expanding upon this theoretical process, the literature provides many examples, from simple to complex, of definitions describing strategic planning. Strategic planning has been called a method for aligning an organization with its environment (Summer, 1980). Formal strategic planning has been described as an explicit process for determining the firm's long-range objectives, procedures for generating and evaluating alternative strategies, and a system for monitoring the results of the plan when implemented (Armstrong, 1982). It has been described as a disciplined effort to produce fundamental decisions and actions that define what an organization (or other entity) is, what it does, and why it does it (Bryson, 1988).

Berry (1994) defines strategic planning as a management process that combines four basic features: (1) a clear statement of the organization's mission; (2) the identification of the agency's external constituencies or stakeholders, and the determination of their assessment of the agency's purposes and operations; (3) the delineation of the agency's strategic goals and objectives, typically in a 3-5 year plan; and (4) the development of strategies to achieve them. Perhaps the most definitive description of the strategic planning process consists of eight widely recognized steps:

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(1) an initial agreement or "plan for planning", (2) identification and clarification of mandates, (3) mission formulation, (4) external environmental assessment, (5) internal resource assessment, (6) strategic issue identification, (7) strategy development, and (8) development of a description of the organization in the future – its "vision of success" (Bryson, Freeman, and Roering, 1986; Bryson and Roering, 1987; Bryson, 1988). The overall process can be summarized as a *conscious effort to produce prescribed measurable performance within an organization consistent with that organization's mission, vision, and various constituent desires*. However, even the widely recognized framework above overlooks the two critical features of the strategic planning process that are addressed by this proposed study: implementation and evaluation.

2.1.2 Arguments Supporting the Implementation of Formal Strategic Planning

The extensive published literature addressing the link between formal planning activities and organizational performance began in 1970 with Thune and House's study of the changes in economic performance associated with formal long-range planning in the United States of America (U.S.A) firms with annual sales of $75 million or more (Thune and House, 1970). The study overwhelmingly supported the assertion that organizations using formal long-range planning techniques outperformed similar organizations that lacked comparable planning techniques. Formal planners, from the time they initiated long-range planning through 1965, significantly outperformed informal planners with respect to earnings per share, earnings on common equity, and earnings on total capital employed. Informal planners did not surpass formal planners on any of the measures of economic performance after long-range planning was implemented. In terms of company performance before and after the implementation of formal planning, planners experienced a notable increase on all three available measures of economic performance after *planning implementation*. Herold (1972) verified these findings by subjecting the research conducted by Thune and House to a cross-validation study, demonstrating once again that formal planners outperformed informal planners.

Karger and Malik (1975) and Malik and Karger (1975) compared the financial performance of firms practicing formal, integrated long-range planning to nonplanners. They found that the formal planners outperformed the nonplanners on 9

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out of 13 financial performance variables. Similarly, in their study of U.K. companies, Al-Bazzaz and Grinyer (1980) demonstrated that 48 percent of the companies studied reported improved profits and growth following implementation of formal planning. The methodology of these studies was rather basic, and generally included the group to be studied (organizations adopting strategic planning) and a control group (organizations not adopting strategic planning). The study group and the control group were then compared over a period of time using a variety of organizational performance measures to reach their conclusions. Based on the findings of these studies, it was clear that strategic planning is a significant contributor to enhanced organizational performance.

Setting objectives is an integral component of the strategic planning process, and evidence shows that objective setting has strong organizational value (Armstrong, 1982). For example, Kim and Hamner (1976) demonstrated that explicit objectives improved performance for service jobs at Bell Telephone, and Ivancevich (1977) found that specific objectives for skilled technicians in an equipment and part manufacturing company proved to be superior to instructions to "do your best". Thus, the propensity of strategic planning to develop and implement explicit organizational objectives would appear to support the adoption of strategic planning practices.

Organizational change, both in terms of the external and internal environment, is a constant concern for managers in both the public and private sector. Thune and House (1970) found that planning was more helpful in markets characterized by a high rate of technological innovation and new product introductions. Armstrong (1982) also found that formal planning was more important in organizations where emerging changes were large. Therefore, an argument exists that the implementation of formal strategic planning may help organizations *cope with periods of substantial change typical to that which is occurring in many state government corporations* not only in developed nations but also in developing countries such as Kenya.

Miesing and Andersen (1991) concluded that 81% of New York state corporations have an explicit strategic planning effort. In a 1992 survey of the directors of all state corporations in 20 programmatic and regulatory areas, Berry and Wechsler (1995) showed that 60 percent of respondents reported that they currently used strategic

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planning in their agency, while 9 percent of the corporations planned to start strategic planning in the near future. In the survey, only 5 percent of respondents reported that their agency had used strategic planning in the past but had discontinued the practice. Of the five percent that had discontinued the practice, only two respondents said that planning was discontinued because it was perceived as a failure in the agency. Therefore, although strategic planning was once lax in public corporations due to tradition, legislative mandates, and a sense of budgetary entitlement, it would appear as though strategic planning has taken hold in the public sector and is not perceived as a failure, at least by agency directors.

2.1.3 Factors influencing strategic planning

There are many factors listed in the literature that influence strategic planning. These include: (i) environmental uncertainties-this factor hampers the ability to develop long range plans, (ii) scarce resources-strategic planning should be aligned to use scarce resources effectively, (iii) legal forces-legislative changes introduce new dynamics in an industry thus affecting strategic planning;(iv) size and complexity of an organization-as size and complexity on an organization increases, so does the degree of formality of planning activities, (v) the extent of involvement of executives in operational issues-a high degree of involvement in operating issues compromises the attention paid to management functions, (vi) the implementation gap-this is the inability of the top management and the planners to effectively communicate with the planners,(vii) the lifecycle of the organization-as organizations move through different phases, the competitive environment changes and influences the way they plan and execute strategy.

2.1.4 Strategic planning concepts and tools

Various strategic planning tools are used to assist in planning. These tools provide a structured framework for analyzing the environment. Some of the most common tools identified in the literature include: (i) SWOT which requires that an analysis be done of an organizations strengths (S), weaknesses (W), opportunities (O), and threats of and organization;(ii) PESTEL analysis which is a management technique that enables an analysis of six external factors that may influence the performance of the organization: political (P), economic (E), social (S), technological (T), environment (E) and legal (L); (iii) Environmental scanning which involves the monitoring of changes in the environment in which an organization operates in order to identify

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threats and opportunities in the future and in order to maintain competitive advantage; (iv) Scenario planning which is a technique that requires the use of a scenario in the process of strategic planning to aid the development of corporate strategy in the face of uncertainty about the future;(v) Competitor analysis involves anticipating and analyzing competitor actions; (vi) Porter's Five- forces model for industry analysis and business strategy development considers five forces that determine the competitive intensity and therefore attractive of a market. The five forces are the threat of substitute products, the threat of established rivals, threat of new entrants, bargaining power of suppliers and bargaining power of customers; (vii) Portfolio analysis which involves an analysis of the business portfolio of a company to decide which portfolio should receive more or less attention.(viii) The Boston Consulting Group Growth Share Matrix which is based on two-dimensional variables namely relative market share and market growth; and (ix) Value Chain analysis which examines the sequence of business activities through value is added to products or services produced by an organization.

2.1.5   Factors Leading to the Adoption of Strategic Planning by State Corporations

Berry (1994) has identified several factors as particularly influential in explaining an agency's likelihood to adopt strategic planning practices. These factors are: (1) agency resource explanation, (2) agency leadership cycle explanation, (3) agency orientation explanation, and (4) regional diffusion explanation. Berry (1994) contends that strategic planning is an innovative practice that requires significant commitments of time, money, and human resources. Berry (1994) concludes that an agency's fiscal well-being and overall staffing level has a logical bearing on that agency's likelihood to adopt strategic planning practices. Two conclusions exist regarding this assertion, both grounded in theory of organizational innovation. The first conclusion is that an agency amid fiscal stress will be more likely to innovate and adopt some aspects of strategic planning in an effort to delineate strategies related to effective management with limited resources. The second, opposed conclusion is that an agency with plentiful monetary resources will be more likely to adopt strategic planning due to the extra or "slack" resources that are available to develop and implement the strategic plan.

Given the recent trend of declining resources available to the public sector managers, many scholars have attempted to outline a variety of processes that may be adopted in periods of scarce resources. "Cutback management" (Levine, 1978; Behn, 1980) is a term describing policy and management strategies that agency managers are likely to use in times of fiscal stress and is often cited in support of the argument that organizations are more likely to adopt strategic planning during times of poor economic health. However, it has also been shown that organizations with abundant resources are more likely to be innovators than corporations with scarce resources (Cyert and March, 1963; Baldridge and Burnham, 1975; Bingham, 1976; Rogers, 1983). This is a direct result of the fact that innovations (such as strategic planning) typically take extra staff and resources to develop and implement, which requires abundant or "slack" resources (Cyert and March, 1963). Thus, if slack resources are a requirement to adopt strategic planning, we may conclude that strategic planning is less likely to be adopted by the organizations arguably needing it the most, those lacking abundant or slack resources.

A second, well-established characteristic of innovative organizations is their size; large organizations are more likely to be innovative than small organizations (Cyert and March, 1963; Hage and Aiken, 1970; Baldridge and Burnham, 1975; Rogers, 1983). Large organizations tend to have a wider variety of specialists and a subsequently higher ability to adopt innovative strategies. This finding supports the argument that large public organizations are more likely to adopt strategic planning practices than small public organizations. It should be noted that while the above information pertains to the public sector, more recent research in the private sector has identified size as more of an inhibiting factor, thus reducing flexibility and therefore innovation.

Berry (1994) in a study addressing the adoption of strategic planning by state corporations, examined data for nine types of state corporations from 1970 to 1991 drawn primarily from the National Survey on Strategic Planning in State Government Corporations in the United States. Her results showed a strong positive association (statistically significant with a t ratio of 5.08) existing between a state's fiscal health and the likelihood of its corporations to adopt strategic planning. The predicted probability coefficient of a state agency adopting strategic planning was .03 in a year

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when the state was in very weak fiscal health, but the coefficient more than doubled to .08 in a year when the state experienced very strong fiscal health (Berry, 1994). Due to the fiscal fluctuations inherent in state government, it may be easier for state corporations to adopt strategic planning in years of strong fiscal health, anticipating the periods of weak fiscal health that may arise in the future.

Although the effect of agency size on the adoption of strategic planning was tested, size appeared to have little impact on the agency's likelihood of adopting strategic planning (Berry, 1994). Therefore, one might conclude that fiscal health is a much stronger indicator than size of an agency's propensity to adopt strategic planning. Young (2009) found that state corporations and their respective agendas are subject to regular disruption and alteration in terms of leadership turnover at the upper levels. As expected, new leaders regularly implement changes within an organization as they strive to earn the respect of their new employees and promote their various priorities. According to the National Survey on Strategic Planning in State Government Corporations in the United States, sixty-five percent of respondents said that they believed initiating strategic planning was an important symbol of their personal leadership (Berry, 1994). Given this statistic, it should not be surprising that a government agency that had not yet adopted strategic planning had the highest predicted probability coefficient of adopting strategic planning (.140) in the first year of a new governor's term; the second highest probability (.083) in a reelected governor's first year in office; and a much lower probability (.051) in an election year (Berry, 1994). This supports the conclusion that strategic planning is a strategy that is *perceived by leaders as a demonstration of commitment and innovation to the public.* This finding may also be a result of the increasingly high degree of accountability demanded by stakeholders that is present in the public sector and may represent a new leader's desire to demonstrate innovative business practices to the various constituents of the state. Regardless, during periods of transition, the review and revision of existing strategic plans should be an important feature of organizational culture.

An agency's orientation and more importantly, alignment, to its environment has also been shown to influence its probability of adopting strategic planning (Berry, 1994). Like many strategic management techniques, strategic planning originated in the private sector (Bryson and Roering, 1987), and seventy-seven percent of the

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respondents to the National Survey on Strategic Planning in State Government Corporations indicated that "emulating good business practice" was an important objective when their corporations adopted strategic planning (Berry, 1994). Research has shown that corporations who work regularly with private sector businesses are more likely to adopt strategic planning than are corporations that do not. An agency working closely with businesses had a probability coefficient of .092 of adopting strategic planning, while the probability decreased to less than half that size (at .049) when the agency did not work closely with business (Berry, 1994). This may be due to the desire of the agency to emulate the strategies of those with which it works most closely.

Although unique in many ways, parastatals tend to adopt strategies that have been adopted in neighboring parastatals. In many cases, policy innovations diffuse on a 'regional' basis in which leading parastatals initiate the process for other parastatals to follow (Grupp and Richards, 1975; Light, 1978). Parastatal directors normally experience common problems and thus look to other parastatals for guidance and recommendation. More specifically, "sister" corporations of the same type are emulated.

2.1.6 Factors Supporting the Successful Development and Implementation of Strategic Planning in Public Corporations

The mere nature of the public sector severely limits the exact duplication of many private sector business practices (Ring and Perry, 1985). This is attributable to the simple fact that no two organizational entities are exactly the same. However, the basic strategic planning process is universally applicable and has been shown to produce positive results in both sectors. Several key factors, characteristics, and attributes have been identified that, when present, lead to a higher probability of the successful development and implementation of strategic planning in both public and private situations.

Halachmi (1986) argues that strategic planning is likely to be more successful among organizations such as police, fire, public works, transportation, corrections, and sanitation. This is because (1) these types of corporations are more narrowly focused and therefore exhibit a higher likelihood of consensus on the basic mission of the

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organization, and (2) the work of such corporations involves predominantly technical considerations. This finding emphasizes the importance of establishing a *strong, coherent mission of the organization during the initial steps of the strategic planning process.* The mission must then be constantly considered as a driving force in the development of strategies and action plans. Multiple objectives and measures of performance for organizations with a broader scope will be necessary for successful strategic planning in those cases.

Eadie (1983) also provides insight and advice into the various factors contributing to the successful development and implementation of strategic plans for the public executive considering the application of strategic planning. First, one must view application as a multi-year process, starting on a limited basis and gradually widening application as the organization gains experience and expands its capability to use the techniques. Second, it is essential to incorporate the strategic planning initiative into a broader framework of planning improvements, creating an overall planning strategy for the organization. Finally, an organization must ensure that the strategic planning application is very carefully researched, that there is, in essence, a strategic game plan clearly setting forth the desired outcomes, methodology, schedule, and responsibilities.

If a government unit wants to initiate strategic planning, Bryson and Roering (1988) suggest that the following factors, at a minimum, should be present: (1) a powerful process sponsor, (2) an effective process champion, (3) a strategic planning team, (4) an expectation of disruptions and delays, (5) a willingness to be flexible concerning what constitutes a strategic plan, (6) an ability to think of junctures as a key temporal metric, and (7) a willingness to construct and consider arguments geared to many different evaluative criteria. Bryson and Roering (1988) recommend that factor (3), mentioned above, be modified to include "comprehensive staff representation" due to strategic planning practices that have evolved. By involving a wide variety of employees in the planning process, managers garner employee buy-in, increase the level of accountability for the finished product, and create an internal environment in which the final strategic plan is more likely to be embraced by employees throughout the organization. This appears to be a much more desirable scenario than that which occurs when the strategic plan is developed solely by planning staff, harbored by top-

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level management, arbitrarily implemented, and mandated as necessary to all other employees.

A process sponsor comes in the form of respected employees who may be key decision makers within the organization and are willing to make important decisions concerning the strategic planning process to involve more actors and to facilitate decision making. Sponsors are important because of their ability to legitimatize the strategic planning effort and contribute to major decisions (Bryson and Roering, 1988). In addition, the support of key decision makers as sponsors may act as a motivating force upon the strategic planning team members.

A powerful process champion also plays a vital role in the successful development and implementation of strategic planning (Bryson and Roering, 1988). Process champions are typically critical team members, often the leader or co-leader, who sincerely believes that the strategic planning process will produce desirable outcomes (Bryson and Roering, 1988). This finding lends credence to the assertion that the eventual outcome of strategic planning efforts may rely heavily on the individual perceptions of the strategic planning process that are held by key players within the process. Therefore, a proactive administrator may intentionally appoint a powerful process champion as the strategic planning leader prior to initiation of the planning process.

For planning purposes, it is important to note that a process champion is not simply a team facilitator (Bryson and Roering, 1988). While a process facilitator will usually not contribute their personal opinions, process champions eagerly contribute their favored issues and solutions to discussion, solicit, encourage, and facilitate others to do the same, and bring leadership and positive energy to the group dynamic. In addition, an effective process champion will anticipate the need to periodically re-energize the strategic planning team with new information, topics and progressive summary reports.

Although not terribly surprising, the team component is also a critical aspect of a successful strategic planning process (Galbraith, 1973). The use of a team is expected in many public corporations given the uncertain, complex, and political situations in

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which a variety of sources of information are needed and in which decisions have cross-unit implications (Galbraith, 1973; Hickson et al., 1986). Managers initiating strategic planning should anticipate the team dynamic and attempt to assemble the most appropriate group of players prior to beginning the planning process.

The public sector strategic decision-making process has a tendency to be interrupted and lengthy (Hickson et al., 1986). Therefore, strategic planning teams must prepare for this fact, devote adequate time to the process, and resist feeling discouraged when the planning process requires more time than expected. A legitimate expectation of disruptions and delays is necessary to prepare for the reality of the public sector strategic planning process.

Public corporations embark upon strategic planning efforts for a variety of reasons (Young, 2009). Likewise, depending upon the needs of each specific agency, an equally large number of characteristics may constitute their version of a strategic plan (Bryson and Roering, 1988). Thus, corporations must be somewhat flexible concerning the various elements that constitute a strategic plan. Bryson and Roering (1988) found that an agency that initiates a planning process committed to developing a strategic plan containing ultra-specific elements may experience less adaptability throughout the process, thereby reducing the potential applicability of the final product. It should be emphasized that in many cases, strategic thought and action are the true benefits of the strategic planning process, not the formal plan that results. Therefore, corporations should allow themselves a limited degree of flexibility in terms of what they believe constitutes a strategic plan (Leslie,2008). With this in mind, it should be noted that too much flexibility may lead to a diluted plan that fails to adequately address the substantive issues affecting the organization (Leslie, 2008). Thus, an effective strategy will seek to find a balance between the degree of flexibility permitted and may involve the identification of core components that must be included in the strategic plan as well as a list of "extra considerations" that may or may not be included (Leslie, 2008).

As mentioned earlier, strategic planning in the public sector is an often lengthy process (Hickson et al., 1986). In order to prepare for this certainty and to improve the probability of implementing a successful strategic plan, teams should be encouraged

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to evaluate time not only by the calendar, but by key "juncture" points in the process (Hickson et al., 1986). Doing so removes the focus from the amount of calendar time required to complete the plan and focuses it on a series of key juncture points (or deadlines) in which important items must come together to ensure sequential output and implementation. Hickson et al., (1986) found that this is a much more action-oriented approach that may reduce the discouragement associated with a lengthy process requiring substantial calendar time. In addition, assembling a positive planning team complete with a powerful process sponsor should reduce the level of discouragement associated with the lengthy process often required of strategic planning (Bryson and Roering, 1988).

Because of the team approach inherent to the strategic planning process, the team leader is required to recognize a variety of internal viewpoints (internal environment) related to agency missions, strategic issues, and action plans (Young, 2009). In addition, the various agency stakeholders (external environment) may also hold vastly differing external opinions related to aspects of the strategic plan. Therefore, corporations must understand that both the strategic planning process and the formal plan will be evaluated by numerous criteria, often influenced by employee bias and constituent preference (Bryson and Roering, 1988). Thus, corporations must accept the fact that although the strategic planning process helps foster strategic thoughts and actions, it is no panacea, particularly without effective leadership, complete implementation, and overall accountability (Johnson and Scholes, 2004). Strategic planners must be prepared to construct and consider arguments geared to many different evaluative criteria if they are to enhance their likelihood of experiencing success with the implementation of a strategic plan. They must also recognize that individual strategies must be developed via compromise and will typically not include the ideal desires of everyone involved (Young, 2009).

2.1.7 Arguments against the Adoption of Formal Strategic Planning

Organizations prefer to program, routinize, and systematize as much as they can (Van de Ven, 1976). Changes in organizations, when they occur, typically proceed through a slow, disjointed process best described as "muddling through" (Lindbolm, 1959). However, the strategic planning process is a procedure inherently designed to produce calculated change within an organization. It is this deliberately disruptive nature of

the strategic planning process that defies organizational theory and contributes to the difficulty of implementing strategic plans (Bryson and Roering, 1988). Thus, an agency that is very opposed to organizational change may experience increased difficulty throughout the strategic planning process and a lesser likelihood of implementing the strategies and action plans suggested by the plan.

A fundamental difference between the private sector and the public sector is that public organizations are much more open to the external environment. Constituents of the public sector, unlike their private sector counterparts, have direct, constitutionally or legislatively based avenues of access to strategy makers (Ring and Perry, 1985). Due to pressures for public accountability that occur in the public sector, strategic planning decisions are likely to be made at the highest levels (Hickson et al., 1986), although political rationality would argue that top decision makers not make critical decisions until they absolutely have to (Quinn, 1980). Therefore, strategic planning requires top decision makers to make important decisions and may create a situation in which their political credibility is jeopardized if the strategic plan does not produce positive results.

A central argument against the implementation of strategic planning focuses on the large amount of time commonly required to conduct a meaningful strategic planning process. The public sector strategic decision-making process has a tendency to be interrupted and lengthy (Hickson et al., 1986). A study conducted by Bryson and Roering (1988) supported this conclusion, finding that the calendar time devoted to the strategic planning process among eight governmental units varied from 5 to 30 months and included a variety of stoppages, delays, and difficulties. In some cases, strategic planning systems have been shown to actually diminish strategic thinking when an organization becomes so narrowly focused on pre-determined strategies that they lose the flexibility required to adapt to changing, real-time situations. (Bryson, et al., 1987).

Although the studies conducted in the early 1970's were convincing in their assertion that formal planners outperformed informal planners, the studies conceded the likelihood that formal planning is most likely a characteristic of a well-managed firm rather than the single cause of improved organizational performance (Thune and

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House, 1970). Therefore, a primary argument against strategic planning is that it is not a stand-alone solution, and may be accomplished only when integrated with a variety of other strategic management initiatives.

Formal plans developed by planning departments are often criticized by line managers as lacking realism and ignoring the consequences associated with the implementation of the plan. A strong argument could be built against formal strategic planning in cases where there is little interaction between the planning department (developers of the plan) and the line management (implementers of the plan) throughout the planning process. Line managers hold the planning department accountable for the development of the plan and, conversely, the planning department holds the line managers accountable for the implementation of the plan, thus preventing equal accountability across the organization. Lack of accountability may be perceived as leading to greater costs, lesser effort and poorer planning performance than could otherwise be obtained (King, 1983). Thus, formal planning processes must stress the involvement of line managers in the development of the plan as well as the involvement of the planning department in the implementation of the plan, thereby placing equal accountability on both parties. Schrader, Taylor, and Dalton (1984) point out the difficulty in singling out strategic planning as the primary contributor to improved organizational performance.

2.2 Strategy Implementation

Although researchers have been unable to achieve a solid consensus on the degree to which strategic planning produces organizational benefits, it is painfully clear that a strategic plan that is not *implemented* will certainly fail to produce meaningful organizational results(Johnson & Scholes, 2004). The nature of implementation

Transforming strategy into action is a far more complex and difficult task owing to the dynamic nature of the environment. Nutt and Backoff (1992) argue that empirical evidence suggests that implementation of strategic plans is fraught with difficulties and generally falls short of expectation. Strategy implementation has long been recognized as being critical for business success. Essentially, until a strategy is implemented, it remains a plan and not an operational reality. The good intentions of a strategy can become insignificant if not implemented. The ability and strength to execute a decision is thus more crucial for success than the underlying analysis of the

strategy. Bigler (2001) as cited by Leslie (2008) noted that 90 per cent of the formulated strategies are not implemented on time and with the intended results. This normally is because strategy planning in many cases takes the front seat while strategy implementation takes the back seat (Leslie, 2008).

2.3 Strategic Management Implementation Models in the Public Sector

The Harvard Policy Model and the Stakeholder Management Model are two common approaches to strategic management in the public sector (Bryson, 1989). In the Harvard policy model, strategists assess organizational strengths and weaknesses, identify opportunities and threats, and seek to co - align the organization with its environment. Organizations are enjoined to build on strengths, overcome weaknesses, exploit opportunities, and block threats (Nutt & Backoff, 1992). Stakeholder approach to strategic planning are concerned with identifying individual and organization actors who have an interest or in the focal organization and it strategic program. This model places important role on the leadership of an organization to maintain good relationship with the stakeholder who have influence in the agency's direction and its capacity for realizing its strategy.

From the literature, factors that influence the successful implementation of strategic management from internal organization point of view relate quite closely with the generic organization development model suggested by management experts such as Mc Kinsey, de Bono, Ishikawa – to mention a few. Yousoff (2008) identifies leadership, culture/behaviour, systems/processes, organization structure, human resource architecture and technology as some of the key factors that have an impact on successful implementation of strategic plan.

2.4 Challenges of strategic planning implementation

There are numerous reasons for failure to successfully implementation of strategy. Although the reasons for failed strategy implementation vary from case to case, the cause can often be anticipated. Thompson and Strickland (1995) argue that strategy implementation is a tougher, more time consuming management challenge than crafting strategy. Strategy implementation encompasses a wide array of management issues including: people-management skills and resistance to change.

Altonen and Ikävalko (2002) as cited by Leslie (2008) identified nine areas which if not properly addressed could adversely affect the success of strategy implementation. These are (1) weak management roles in implementation, (2)lack of communication,(3)lack of commitment to the strategy,(4)unawareness or misunderstanding of the strategy,(5) unaligned organizational systems and resources,(6)poor coordination and sharing of responsibilities,(7)inadequate capabilities,(8)competing activities, and (9) uncontrollable environmental factors.From the literature, it is possible to compile a list of factors that impede strategy implementation in a particular environment (Leslie,2008). Oliver and Garber (1983) identify several factors that they consider to be among the most common reasons that organizations fail to implement a successfully-developed plan. These factors include (1) inadequate line management involvement, (2) inadequate top management involvement, (3) inexperience in strategic planning, (4) level of planning resources, and (5) near-term thinking.

2.5 Conclusion

Empirical support for the normative suggestions by strategic planning advocates that all firms should engage in formal strategic planning has been inconsistent and often contradictory (Pearce II, et al., 1987). Much of this inconsistency may be attributable to the fact that strategic planning is an ill-structured phenomenon that is not amenable to experimental design and empirical techniques suited to well-structured problems (Mitroff and Mason, 1981). On the other hand, a step-by-step approach to strategy implementation may not work owing to the fluidity of the environment (Leslie, 2008). In the face of high levels of uncertainty and change, there is need for a dynamic approach in which strategy formulation and implementation are carried out simultaneously (Leslie,2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the research design, population and the various steps taken to achieve the objectives of the study.

3.2   Research Design

This research project was an exploratory study survey designed to provide an insight on how non-commercial state corporations in Kenya plan and implement strategies. Kotler and Armstrong (2001) observe that this method is best suited for gathering descriptive information; where the researcher wants to know about people's feelings, attitudes or preferences concerning one or more variables through direct query.

3.3 Population of study

The population of study was composed of 55 non-commercial state corporations as per Appendix A. The Performance Contracting Steering and Reforms Committee (2009) list of State Corporations has a total of 148 out which the 55 non-commercial State Corporations were identified. A census survey of all the 55 non-commercial state corporations was conducted to enable the study get adequate data feedback for purposes of analysis and thus enable the drawing of accurate conclusions about strategic management in non-commercial state corporations in Kenya. Most of the respondent organizations are based in Nairobi (the administrative and commercial capital of Kenya) where this study was being conducted.

3.4 Data Collection

Data was collected by means of a questionnaire, which consisted of open-ended and closed-ended questions (see Appendix D). The questionnaire was divided into four parts, Part A, captured general information about the respondent organization. Part B, collected data relevant for the objective of identifying the strategic planning and implementation process. Part C collected data used to identifying factors that influence strategic planning and implementation; while part D captured data on the challenges (problems) encountered by non-commercial state corporations in the implementation of strategic plans.

The respondents were senior managers designated as being responsible for planning and monitoring the implementation of the organizations strategic plans. In most of the cases, it was possible to contact the target respondents over the phone before dropping the survey questionnaire.

The questionnaire was administered to the respondents using hard copies sent by hand or through post where the head office of the State Corporation was outside Nairobi. A few respondents requested that the questionnaire be sent electronically. These were sent via electronic-mail. For those sent by hand, the drop and pick later method was used. For those sent electronically, the responses were also in electronic form.

In order to gain a broader understanding of some of the organizations, other data was collected from the organizations websites, annual reports and newsletters.

3.5   Data Analysis

Data collected was both quantitative and qualitative. The Statistical Package for Social Scientists (SPSS) program was used to analyze the quantitative data. Data analysis was conducted using descriptive statistics, which included measures of central tendency, measures of variability and measures of frequency among others. According to Nachmias and Nachmias (1996) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. Measures of central tendency give us the expected score or measure from a group of scores in a study. Measures of variability, such as standard deviation, inform the analyst about the distribution of scores around the mean of the distribution. Frequency distribution shows a record of the number of times a score or record appears.

Qualitative data was analyzed using content-analysis. Content analysis is a measure through proportion and is used to measure the pervasiveness of the item being analyzed (Kothari, 2004). This helped in comparing data which was not in a quantitative form. This analysis ensured that all objectives in the study were well catered for. Analyzed data has been presented in the form of tables, charts and graphs. Part A and part B was analyzed using descriptive statistics in which various measures such as averages, standard deviation and variances are calculated to aid in

describing the data. Part C and D were analyzed using both descriptive statistics as well as inferential statistics. Likert type profiles analysis was done and mean scores and standard deviation computed to determine the significance of the challenges encountered in implementing strategic plans.

CHAPTER FOUR: DATA ANALYSIS

4.1   Introduction

This chapter outlines the findings of the research study based on the questionnaire administered to the senior managers in charge of the strategic planning function in various non-commercial state corporations. The results are presented alongside discussions and comparison is made to other studies on strategic planning. Presentations using Likert type profiles are also incorporated. The data collected is summarized using histograms, tables and percentages. It is then analyzed using descriptive statistics, which entailed the use of proportions, percentages and frequency distributions. These are considered adequate since the study was exploratory in nature.

The address of each of the fifty five (55) non commercial state corporations that constituted the study population were located and the survey questionnaires sent to them. Thirty two (58%) valid questionnaires were filled and returned. This response rate (58%) is considered acceptable when compared to those achieved in similar studies, such as Safari (2003) 51%, Kang'oro (1998) 38% and Aosa (1992) 15%.

4.2   Profiles of Organizations under study

The non-commercials state corporations studied had various characteristics, such as years of establishment, annual budget, number of employees and geographical spread. The whole population was analyzed based on each of these characteristics.

4.2.1 Comparison of Non-Commercial State Corporation by Year of Establishment

Table 1 which shows the distributions of the non-commercial state corporations studied by the year of establishment indicates that of the thirty-two respondents, thirteen (41%) were established between the year 1993 and 2002 while six (19%) were established after 2002. Cumulatively, at least nineteen (60%) of the respondent organizations were established after 1992. This means that the more non-commercial state corporations were established after 1992 than before during the period before.

Year of establishment	Number	Cumulative Number	Percentage (%)	Cumulative %
1953-1962	1	1	3%	3%
1963-1972	3	4	9%	12%
1973-1982	6	10	19%	31%
1983-1992	3	13	9%	40%
1993-2002	13	26	41%	81%
2003+	6	32	19%	100%

Source: Research data

In Kenya, 1993 this coincides with the period immediately after the introduction of multi-party politics and its attendant demand for better services. It is possible that as a result, non-commercial state corporations, particularly the regulatory corporations were seen as the mechanism through which the government could ensure that services are delivered to the citizens.

4.2.2   Distribution of Non-Commercial State Corporations by Budget

Figure 2 which shows the distribution of non-commercial based on their budget in Kenya Shillings (Kshs) indicates that 81% of the non-commercial state corporation have a budget of Kshs 0.5 billion or less. On the other hand, only 6% of the non-commercial state corporations have an annual budget of Kshs 2.5 billion or more.

Figure 1: Distribution of non-commercial state corporations by the budget in Kshs
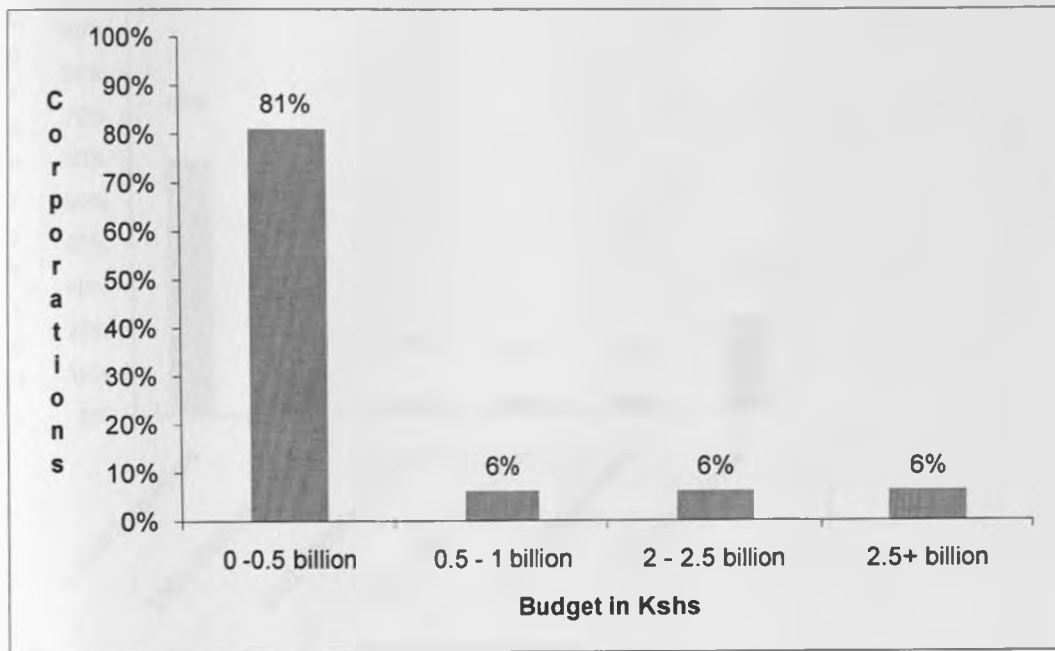
Source: Research data

4.2.3 Comparison of Non-Commercial state corporations by the number of employees

Non-commercial state corporations may be compared based on the number of employees that they employ. The employee base is an indicator of the size and scale of operation of state corporations. It is also an indicator of the extent to which the core business of a non-commercial state corporation can be automated.

Figure 2: Distribution by number of employees
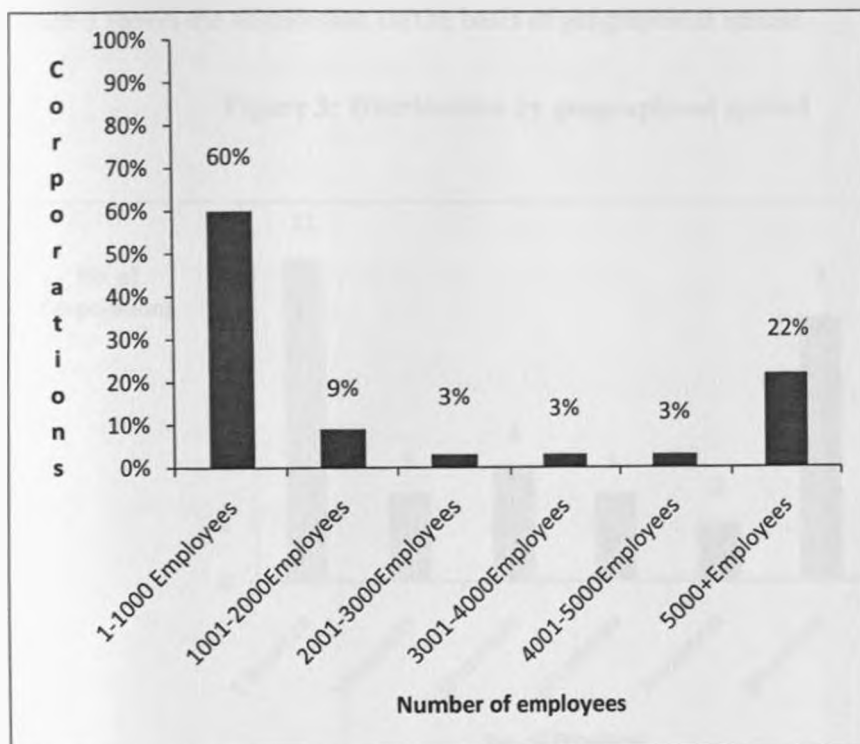
Source: Research data

Figure 2 shows that more than fifteen (60%) of the respondent non-commercial state corporations employ less than one thousand (1000) employees, while seven (22%) of the organizations studied had more than five thousand (5000) employees. Kang'oro (1998) found the average number of employees in state corporations was three thousand eight hundred and seventy seven (3877). The average number of employees in this study were found to be nine hundred and eighty nine (989); with nineteen of the respondent organizations employing less than three hundred (300) employees. This study finds a significant reduction in the average number of employees over the last ten years.. There are a combination of factors -including technological advancements and the need to have a leaner more efficient public service-which may explain this reduction in the average number of employees.

4.2.4 Comparison of Non-Commercial state corporations by the geographical spread

Non-commercial state corporations may also be compared on the basis of the number of provinces which they operate. There are eight provinces in Kenya. Nairobi is one

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of the provinces. Nairobi is also both the administrative and commercial capital.
Figure 3 shows the distribution on the basis of geographical spread.

Figure 3: Distribution by geographical spread
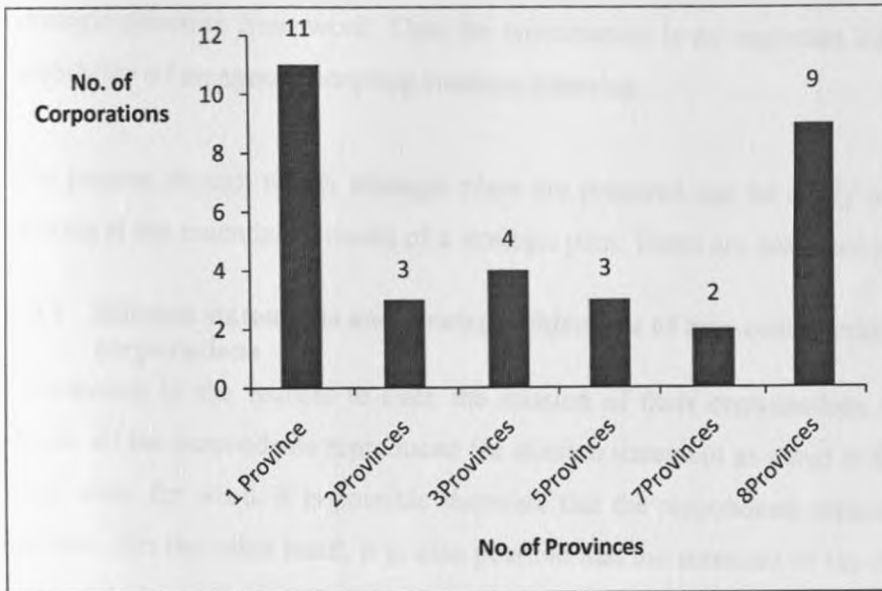
Source: Research data

Out of the respondent organization, only two (6%) had their Head Office outside Nairobi. Figure 3 shows that eighteen (57%) of the non-commercial state corporations have a physical presence in three (3) provinces or less. This finding may have implications for service delivery and access to services offered to the general population. In addition, this also suggests that non-commercial state corporations are deliberately set up in the same areas where we find a concentration of commercial and government related activities.

4.3 Strategic Planning Process in non-commercial state corporations

In this study, thirty two (100%) of the non-commercial state corporations had strategic plans. This implies that strategic planning is widely practiced by non-commercial state corporations Kenya. Furthermore, the number of employees or annual budget of a state corporation did not influence whether or not a non-commercial state corporation will adopt strategic planning practices. This suggests that the size of an organization may not be a significant determinant or deterrent

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towards the adoption of a strategic planning framework. This study records a marked improvement in the adoption strategic management, Safari (2003), in a study of thirty nine (39) selected state corporations found that thirty four (87.2%) had strategic plans. The re-introduction of a performance management framework across the public sector in Kenya in 2003 seems to have lead to greater acceptance of the adoption of a strategic planning framework. Thus the environment is an important influence in the probability of an agency adopting strategic planning.

The process though which strategic plans are prepared can be easily understood by looking at the essential elements of a strategic plan. These are discussed below.

4.3.1 Mission statements and strategic objectives of non-commercial state corporations

In response to the request to state the mission of their organizations in their own words, all the respondents reproduced the mission statement as stated in their strategic plans word for word. It is possible therefore that the respondents misunderstood the question. On the other hand, it is also possible that the missions of the organizations have not been internalized by the respondents. This finding has important implications. It is possible that the missions of the various organizations have not been given sufficient emphasis to enable the employee internalize them.

All the respondents in this study had written down strategic objectives. Content analysis of the strategic objectives reveals some pervasive themes. All the objectives have an element related to the strengthening of the human and institutional capacity. Non-commercial regulatory state corporations all have an objective relating to the protection of the interest of consumers or users of the services of the regulated institutions. Non-commercial educational state corporations have an element that relates to enhancement of and access to affordable quality education. Non-commercial health related state corporations have in their objectives an element that emphasizes affordability of and access to medical services. These objectives all focus on service delivery and customer satisfaction. It would therefore appear that most non-commercial state corporations have began to embrace the demands of their customers. All the non-commercial state corporations have an objective that relates to the need to have financial stability. This is important because non-commercial state corporations

have very limited scope for enhancing their funding base unless they commercialize some of activities. However, in the event that this happens, the risk of the mission of the institutions being diluted may have serious consequences on the ability of the corporation to continue delivering on its core mandate.

4.3.2   Distribution of Non-commercial state corporations by the year they started preparing strategic plans

The year a state corporation began preparing its strategic plans is important because it is an indicator of experience in the process. Non-commercial state corporations are expected to prepare and implement their plans better with experience. Figure 4 shows the distribution of non-commercial state corporations based on the year they started preparing strategic plans.

Figure 4: Distribution by the year a state corporations started preparing strategic plans
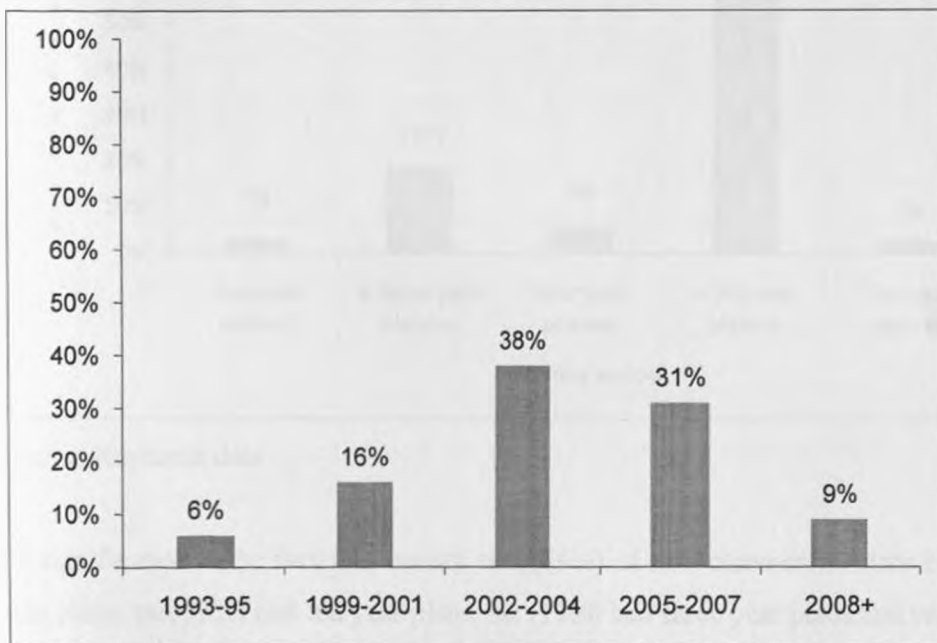
Source: Research data

This study has found that 60% of the non-commercial state corporations had started preparing strategic plans by 2004. Kang'oro (1998) found that about 56% of state corporations studied had some form of long term (3-5 years) planning framework. It is therefore apparent that there was no significant change between 1998 and 2003 in the number of state corporations having long term plans. This reinforces the earlier

finding underlining the impact of environmental factors-particularly the adoption of a performance contracting framework by non-commercial state corporations as a critical factor that has lead to the adoption of strategic management.

4.3.3 Distribution of non-commercial state corporations by the planning period

Figure 5 shows the time related strategic plan followed by non-commercial state corporations in Kenya.

Figure 5: Distribution of non commercial state corporations by strategic planning period
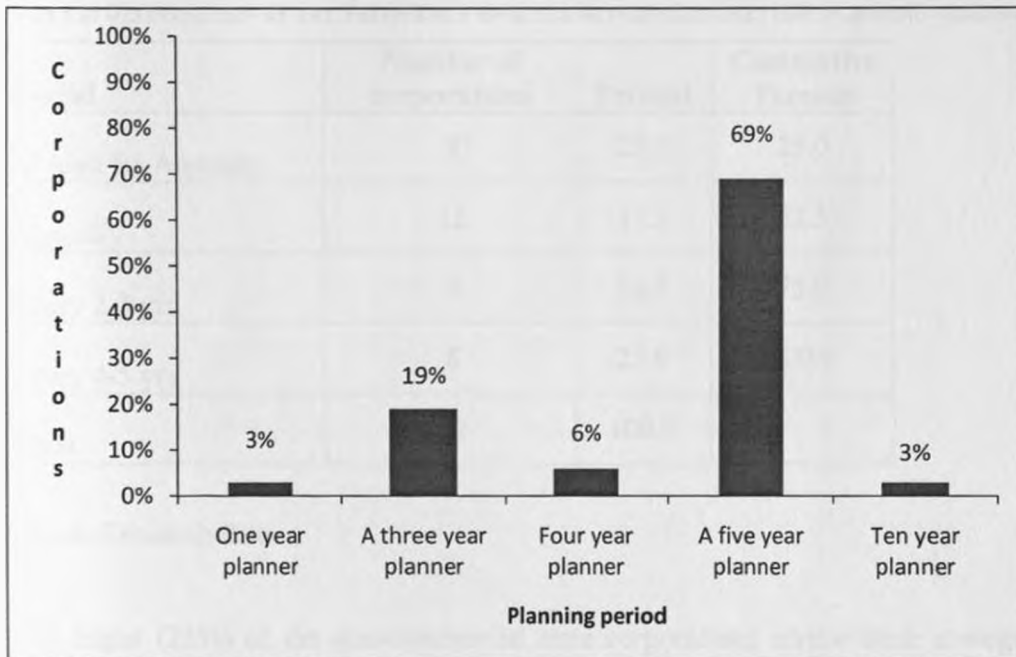
Source: Research data

Of significance is the fact that twenty two (69%) of non-commercial state had five year plans, one (3%) had ten year plans, six (19%) had three year plans and two (6%) had four year strategic plans. Safari (2003) found that seventy percent (70%) of the non-commercial state corporations consider five year strategic plans adequate; and further twelve percent (12%) considered three year strategic plans as adequate. Compared to Safari (2003), this study has found a significant increase in the number of state corporations adopting a three strategic planning framework. Perhaps this may be attributed by the government emphasis on the three year budgeting period also referred to as the Medium Term Expenditure Framework (MTEF). Kang'oro (1998)

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process. Most of the challenges relate to human factors. These challenges were rated below on a 5-point Likert scale in Table 10 below. The rating is presented in order of significance as determined from the mean score on a 5 point Likert scale.

TABLE 10:   RATING OF THE CHALLENGES ENCOUNTERED BY NON-COMMERCIAL STATE CORPORATIONS IN IMPLEMENTING STRATEGIC PLANS

State the extent the problem below affects implementation of strategic plans in your organization:	Mean Score*	Standard Deviation(SD)
Failure to obtain senior management commitment	3.56	0.768
Insufficient government resources allocation to accomplish task	3.53	0.856
Poor communication	3.52	0.590
Failure to follow the plan	3.48	0.577
Resistance to change	3.45	0.580
Intervention by parent ministry	3.44	0.510
Under-estimation of time requirements	3.38	0.495
Inability of the staff and processes handle the new strategy	3.36	0.504
Reporting and control relationships not adequate	3.36	0.462
No consequences for non-achievement of performance contracts	3.36	0.466
Failure to coordinate	3.34	0.503
New strategy not well explained to employees	3.27	0.491
Lack of follow up of the initial plan	3.27	0.492
Failure to develop new employee and management skills	3.24	0.457
Failure to understand the customer	3.22	0.458
Over-estimation of resource competence	3.21	0.376
Failure to get middle management involved right from the start	3.21	0.43
Inability to predict societal and political reaction	3.18	0.378
Inadequate understanding of the internal resistance to change	3.17	0.45
Inadequate or incorrect research before crafting strategies	3.15	0.394
Exclusion of stakeholders and delegates	3.15	0.404
Organizational structure not flexible enough	3.12	0.335
Failure to obtain employee commitment	3.04	0.461
No incentives given to workers to embrace the new strategy	3.00	0.279

* Score on a scale of 1-5 where score of 1 is assigned to "very low" and a score of 5 is assigned to "very high"

Source: Research data

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4.3.5 Distribution by stakeholder involvement in formulation of strategic plans

All the non-commercial state corporations involve various stakeholders in the formulation of their strategic plans. Figure 6 below shows the percentages of state corporations involving key stakeholders identified in this study.

Figure 6: Distribution of stakeholders involved in the formulation of strategic plans amongst non-commercial state corporations
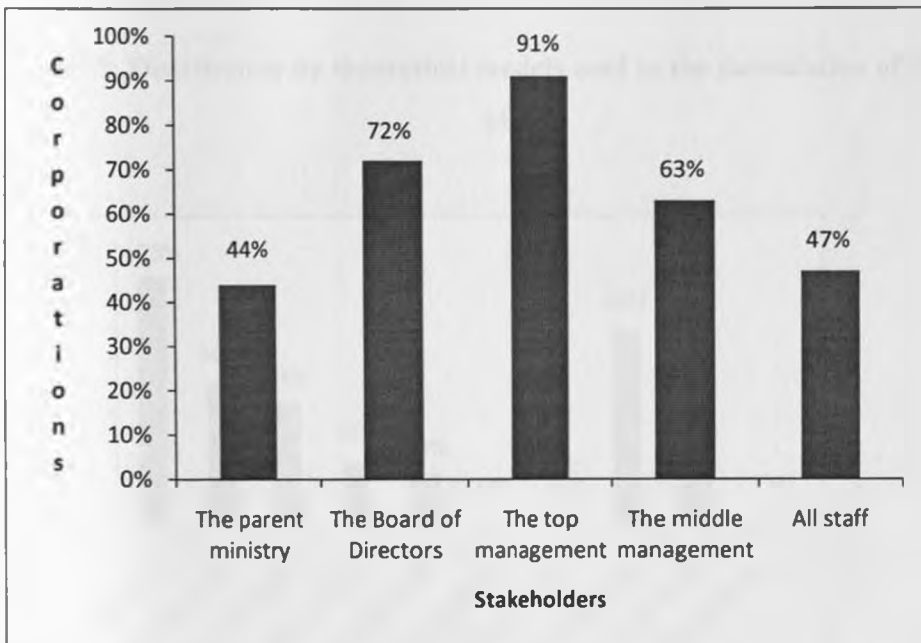
Source: Research data

The Figure 6 shows that fourteen (44%) of the respondents involve the parent ministry in the formulation of strategic plans. Twenty three (72%) of the respondents involve the Board of Directors, twenty nine (91%) involve the top management, twenty (63%) involve the middle management and fifteen (47%) of the respondents involve all staff in the formulation of strategic plans.

The above findings can be compared and contrasted with the findings of Safari (2003), who found that eighty eight (88%) of state corporations involved top management in the strategic planning process and fifty six (56%) of the respondents involved middle management. While Safari (2003) found that there was little involvement of lower cadre staff in strategic planning this study finds that

fifteen(47%) of the organizations involved all employees thus suggesting that stakeholder involvement has risen significantly, over the last six years.

4.3.6 Distribution by models used in formulation of strategic plans

Various theoretical models may be used to develop strategic plans. Figure 7 compares non-commercial state corporations based on the theoretical models they use in preparing strategic plans.

Figure7: Distribution by theoretical models used in the formulation of strategic plans
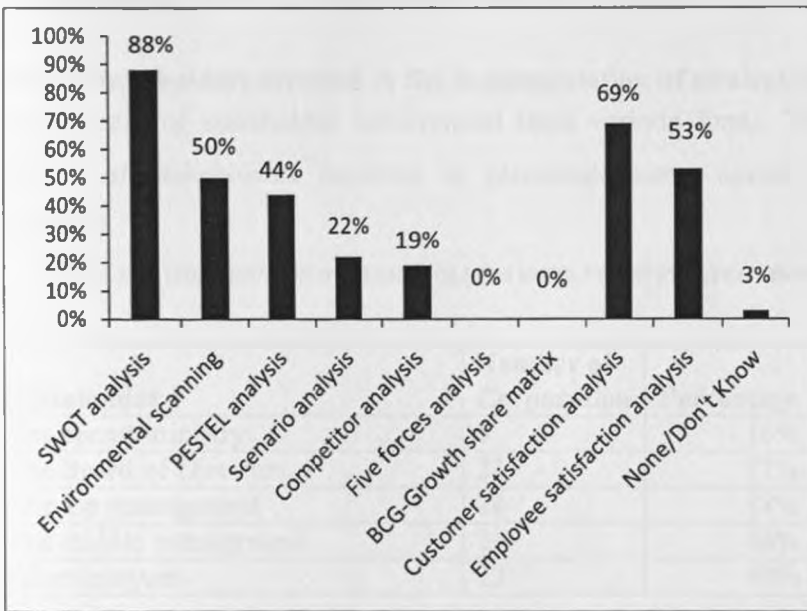
Source: Research data

Most of the non-commercial state corporations use more than one theoretical model when developing strategic plans. SWOT analysis is used by twenty eight (88%) of the respondents. Kang'oro (1998) found that over 50% of the state corporations studied used SWOT analysis. SWOT is therefore the most popular model amongst non-commercial state corporations. Sixteen (50%) of the respondents use environmental scanning, fourteen (44%) use PESTEL analysis, seven (22%) use scenario planning, six (19%) use competitor analysis, twenty two (69%) use customer satisfaction analysis, seventeen (53%) use employee satisfaction as theoretical strategic planning

models. None of the respondents uses the Five Forces Model and the BCG-Growth Share Matrix models. The impact of the environment is evident as indicated by the use of the employee satisfaction and customer satisfaction surveys frameworks which have largely been introduced as a result of the requirements of performance contracting.

4.4   Implementation of Strategic Plans in Non-commercial State Corporations in Kenya

Implementation of strategic plans is a far more challenging than formulation of strategic plans. The process by which non-commercial state corporations implement their strategic plans can be understood by looking at the various elements of the implementation process. The elements identified in this study are discussed below.

4.4.1   Stakeholders involved in the implementation of strategic plans

The process of stakeholder involvement takes various forms. Table 3 shows the number of stakeholders involved in percentage terms against the stakeholders identified.

TABLE 3: DISTRIBUTION BY STAKEHOLDERS INVOLVED IN STRATEGY IMPLEMENTATION

Stakeholder	Number of Corporation	Percentage
The parent ministry	5	16%
The Board of Directors	23	72%
The top management	28	88%
The middle management	21	66%
All employees	22	69%

Source: Research data

The table shows that the Board of Directors and the Top Management are to a large extent involved in the implementation strategic plans. In this study, twenty three (72%) and twenty eight (88%) of the respondents involved the Board of Directors and Top Management respectively in the implementation of strategic plans. Table 3 above also suggests that the involvement of middle managements and all employees in the implementation of strategic plans is much higher than their involvement in the formulation of strategic plans. These findings are consistent with top-down approach associated with strategy formulation and implementation.

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Table 4 depicts the extent of involvement of stakeholders in the evaluation and control of strategic plans.

TABLE 4: INVOLVEMENT IN STRATEGIC EVALUATION AND CONTROL

Stakeholder	Number of state Corporations	Percentage
The parent ministry	13	41%
The Board of Directors	18	56%
The top management	28	88%
The middle management	18	56%
All employees	4	13%

Source: Research data

Table 4 reveals that while the parent ministry has a significant involvement in evaluating how a strategic plan was implemented despite not being largely involved in its implementation. This study has found that twenty eight (88%) of the respondents involve the top management. Safari (2003) also found that eighty eight (88%) of all the state corporations in his study involved top management in the strategic planning.

4.4.2 Strategic control tools used by non-commercial state corporations

Prior to the introduction of the performance contracting framework, non-commercial state corporations applied a number of different strategic control tools. A large number of the respondents used their strategic plan as the strategic control tool. This was achieved by monitoring the extent of implementation of the strategic plan. A few of the respondents had the performance appraisal system as the key strategic control tool. This was mainly achieved by establishing annual objectives and determining the extent to which these objectives have been met. A number of respondents used the budget as the basic strategic control tool. Table 5 shows the respondents opinion on the effectiveness of performance contracts when compared to other frameworks.

Effectiveness of PCs	Number of Corporations	Percentage	Cumulative Percentage
Extremely effective	5	15.6%	15.6%
Very effective	20	62.5%	78.1%
Same effectiveness	6	18.8%	96.9%
Less effective	-	-	96.9%
Not effective	1	3.1%	100.0%
Total	32	100.0	
Mean*	3.88		
Standard Deviation(SD)	1.02		

* Score on a scale of 1-5 where a score of 5 is assigned to "extremely effective"

Source: Research data

Table 5 shows that twenty five (78.1%) of the respondents think performance contracting is either "Extremely effective" or "Very effective" as a strategic control tool. The mean score on a scale of effectiveness of performance contracting is 3.85(S.D 1.02) on a scale of 1-5 where 5 is "Extremely effective". None of the respondents feel it is "Less effective". However, one (3.1%) of the respondents feels it is "Not effective", with six (18.8%) feeling that it is as effective as other alternatives. In total, therefore, thirty-one (96.9%) of the respondents are satisfied with the effectiveness of performance contracting as a strategic control tool.

4.5   Factors Influencing Formulation and Implementation of Strategic Plans

Leadership, organizational culture and organizational structure have an impact on or are impacted by the formulation and implementation of strategic plans. The respondents were requested to rank these three factors on a three point scale of 1-3 in order of significance; with one 1 being the most significant factor and 3 the least significant factor. Table 6 shows the responses.

TABLE 6: RANKING FROM MOST TO LEAST SIGNIFICANT OF LEADERSHIP, ORGANIZATIONAL CULTURE AND ORGANIZATIONAL STRUCTURE IN DETERMINING STRATEGY FORMULATION

Factor	Ranking					
	1		2		3	
	Number	Percentage	Number	Percentage	Number	Percentage
Leadership	21	65.6%	9	28.1%	2	6.3%
Culture	4	12.5%	11	34.4%	17	53.1%
Structure	7	21.9%	12	37.5%	13	40.6%

Source: Research data

Significance in the context of this study refers to impact of the factor. Twenty-one (65.6%) of the respondents rank leadership as the most significant factor in strategic formulation, four (12.5%) of the respondents rank organizational culture is the most significant while seven (21.9%) of the respondents feel that organizational structure is the most significant On the other hand, the same factors were evaluated based on the respondents feeling on their significance on the implementation of strategic plans. The findings are presented in Table 7.

TABLE7: RANKING IN ORDER OF SIGNIFICANCE- LEADERSHIP, ORGANIZATIONAL CULTURE AND ORGANIZATIONAL STRUCTURE IN DETERMINING STRATEGY IMPLEMENTATION.

Factor	Ranking					
	1		2		3	
	Number	Percentage	Number	Percentage	Number	Percentage
Leadership	23	71.9%	9	28.1%	-	-
Organizational Culture	6	18.8%	13	40.6%	13	40.6%
Organizational Structure	3	9.4%	10	31.3%	19	59.4%

Source: Research data

Table 7 reveals that twenty three (71.9%) of the respondents feel that leadership has a significant on how strategic plans are implemented. It is important to note that none of the respondents feels that leadership is the least important of the three factors. Six

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(18.8%) respondents feel that culture is the most significant of the three factors when implementing strategic plans. Overall, culture ranks significantly higher during the implementation of the strategic plan than during formulation. This finding has important implications for strategists in non-commercial state corporations. Organization structure was ranked as the most significant factor by three (9.4%) of the respondents.

Leadership is a critical element of the strategic management process. Table 8 below shows aspects of leadership that are considered important in the implementation of the strategic plan. The respondents have ranked the factors on a five point scale. The results are shown in Table 8.

TABLE 8: ANALYSIS OF FACTORS TO BE CONSIDERED DURING STRATEGY

IMPLEMENTATION

Strategy implementation requires Management to:	Mean*	Standard Deviation(SD)
Consistently monitor to ensure that all activities are coordinated	4.54	1.452
Communicate to employees when and how the strategies will be carried out	4.54	1.526
Manage potential conflict that may result from the implementation process	4.50	0.979
Establish annual objectives	4.46	1.283
Allocate resources needed to implement these strategies	4.44	1.241
Ensure that employees are equipped with the right technology	4.43	1.183
Define the deadlines for implementing the strategies	4.41	1.170
State the activities to be implemented	4.34	1.068
Assign people who are able to be responsible for implementing these strategies	4.31	1.118
Develop policies to guide the implementation process	4.26	0.978
Enhance organizational culture	4.13	0.955
Make any necessary changes to the organization's structure	3.79	0.866

* Score on a scale of 1-5 where score of 1 is assigned to "strongly disagree" and a score of 5 is assigned to "strongly agree" .

Source: Research data

From the responses above, it is apparent that all the listed factors are significant with mean scores greater than 4. Only one factor has a mean score (3.79) that is

significantly lower than the rest. It is therefore not necessary conduct a further analysis of the factors.

4.6 Extent of implementation of strategic plans by non-commercial state corporations

Table 9 shows the extent of implementation of strategic plans amongst non-commercial state corporations.

TABLE 9: EXTENT OF IMPLEMENTATION OF STRATEGIC PLAN

Percentage of strategic plan implemented	Number of corporations	Percent	Cumulative Percent
0-20	3	9.4%	9.4%
21-40	1	3.1%	12.5%
41-60	4	12.5%	25.0%
61-80	15	46.9%	71.9%
81-100	3	9.4%	81.3%
Don't Know/Not Indicated	6	18.8%	100.0%
Total	32	100.0%	

Source: Research data

Table 9 shows that twenty three (71.9%) of the respondents implement between 0-80% of their strategic plans. Fifteen (46.9%) of the respondents are able to implement between 61-80% of the strategic plan. Six (18.8%) appear not to have readily available information on the extent to which their strategic plan is implemented. Only six (18.8%) of the respondents are able to implement between 81-100% of their strategic plan.

4.7 Challenges of Strategy Implementation

Implementing strategic plans is much more difficult than formulating strategic plans. This is because during the implementation a number of factors (including human factors) have to be dealt with and may not be easy to predict or control. In addition, it is not easy to be able to identify all the factors that may adversely affect the implementation of strategic plan. As a result, many aspects of a strategic plan may eventually end up not being implemented due to external or internal factors. The literature review identified a number of challenges to the strategic management

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process. Most of the challenges relate to human factors. These challenges were rated below on a 5-point Likert scale in Table 10 below. The rating is presented in order of significance as determined from the mean score on a 5 point Likert scale.

TABLE 10:   RATING OF THE CHALLENGES ENCOUNTERED BY NON-COMMERCIAL STATE CORPORATIONS IN IMPLEMENTING STRATEGIC PLANS

State the extent the problem below affects implementation of strategic plans in your organization:	Mean Score*	Standard Deviation(SD)
Failure to obtain senior management commitment	3.56	0.768
Insufficient government resources allocation to accomplish task	3.53	0.856
Poor communication	3.52	0.590
Failure to follow the plan	3.48	0.577
Resistance to change	3.45	0.580
Intervention by parent ministry	3.44	0.510
Under-estimation of time requirements	3.38	0.495
Inability of the staff and processes handle the new strategy	3.36	0.504
Reporting and control relationships not adequate	3.36	0.462
No consequences for non-achievement of performance contracts	3.36	0.466
Failure to coordinate	3.34	0.503
New strategy not well explained to employees	3.27	0.491
Lack of follow up of the initial plan	3.27	0.492
Failure to develop new employee and management skills	3.24	0.457
Failure to understand the customer	3.22	0.458
Over-estimation of resource competence	3.21	0.376
Failure to get middle management involved right from the start	3.21	0.43
Inability to predict societal and political reaction	3.18	0.378
Inadequate understanding of the internal resistance to change	3.17	0.45
Inadequate or incorrect research before crafting strategies	3.15	0.394
Exclusion of stakeholders and delegates	3.15	0.404
Organizational structure not flexible enough	3.12	0.335
Failure to obtain employee commitment	3.04	0.461
No incentives given to workers to embrace the new strategy	3.00	0.279

* Score on a scale of 1-5 where score of 1 is assigned to "very low" and a score of 5 is assigned to "very high"

Source: Research data

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These challenges when examined closely might reveal the conceptual understanding of strategic planning and implementation from the perspective of senior managers of non-commercial state corporations. These challenges have an impact the extent of adoption of the strategic management framework

From Table 11, it is apparent that all the challenges identified significantly affect the implementation of strategic plans. Based on a score of 1-5, where 5 means the problem affects the implementation of strategic plans to a very large extent, all the problems identified above have a mean score of 3 or more. However, based on the mean scores, some challenges appear to hamper the implementation of strategic plans more.

This study has found the five most significant challenges are (i) Lack of commitment by top-management to the strategic (ii) Insufficient resources to implement the strategic plan (iii) Poor communication (iv) Failure to follow the plan; and (v) Resistance to change. These finding are important because (i), (iii) and (iv) above are closely related and suggest that strategic planning and implementation as conceptualized by the Government may not have been fully embraced by non-commercial state corporations. The challenge indentified in (ii) above suggests that there is no clear linkage between the plan and the available resources. Since non-commercial state corporations are financed through taxes, it is possible that the plans are being used as a means for fundraising.

Although all the challenges are significant, the five considered to have the least impact from the perspective of senior managers of non-commercial state corporations are: (i) A rigid organizational structure; (ii) Failure to obtain employees commitment to the strategic plan; (iii) Inadequate understanding of internal resistance;(iv) Exclusion of stakeholders from the strategic planning process; and (v) Lack of incentives to employees who embrace the new strategies. Apart from (i), the other challenges largely relate to human behavior and should therefore be taken very seriously since strategic plans are implemented by employees. Furthermore, issues to do with employees especially where the employees are many in number are much more difficult to deal with than any other issues in an organization. Unless the challenges of implementing strategic plans are properly conceptualized, and their

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impact fully analyzed and understood, it is possible that strategic thinking in non-commercial state corporations will be hampered.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

This study has confirmed that strategic management is widely practiced in public sector organizations and in particular amongst non-commercial state corporations in Kenya. This study has found that many of the concepts, models and frameworks widely used in the formulation and implementation of strategic plans in the private sector may also be applied in the public sector. This study has delineated some of the processes through which non-commercial state corporations in Kenya conceptualize and implement strategic plans. The study has further, confirmed that many of the factors influencing strategic planning and implementation as identified in the literature also apply to a large extent to non-commercial state corporations in Kenya.

As per the objectives of identifying the factors and the challenges encountered in strategic management, this study has identified and ranked them in order of significance as perceived by the senior managers of various non-commercial state corporations who participated in this study. The ranking is based on computed mean scores. From the study, it is apparent that the number of employees or budget of a state corporation does not determine whether or not a non-commercial state corporation adopts a strategic management framework. Successful implementation of strategic management in the non-commercial state corporations therefore depends on other factors which have been identified in this study.

This study has found that leadership is considered critical to the successful development and implementation of strategic plans. The study has also found that the political-legal environment has great impact on how non-commercial state corporations conceive and implement strategic plans. In particular, the study has found that a number of initiatives by Government of Kenya —for example the requirement for all public institution to sign performance contracts- are having a positive impact in the implementation of strategic plans and making public organizations more accountable. This has lead to greater recognition of various stakeholders. Through the adoption of customer satisfaction and employee satisfaction surveys as some of the theoretical models for strategic management, service delivery is likely to improve.

5.2   Recommendations for Policy and Practice

Strategic management is based on the premise that leaders and managers in the public sector must be effective strategist if their organizations are to fulfill the mandates for which they were created. In order to be effective strategists, leaders and managers in the public organizations must set out in specific terms their agencies missions, goals, measurable objectives and strategies for achieving the desired performance goals. These should be stated in a manner that can be easily understood and is devoid of ambiguity. This study has established that leadership is central to the successful formulation and implementation of any strategic plan. Leadership should therefore be visible at all levels.

Further, if strategic management is going to be successfully practiced within the non-commercial state corporations in Kenya, the factors that may hamper the development of a strategic management framework within the non-commercial state corporations need to be properly conceptualized, analyzed and taken into account during the strategic planning and implementation process.

In addition, leaders and managers of the public sector need to be aware of the challenges encountered in the implementation of strategic plans and find a mechanism for dealing with them. These problems have been identified from the literature review, confirmed by this study and are thus pervasive. Policy makers and managers should note that whereas lower cadres of staff play a significant role in implementing strategic plans, the failure to involve them in the development and evaluation of the strategic plans may frustrate the successful implementation of plans.

5.3   Recommendations for further research

There is adequate opportunity for further research on strategic management in the public sector in Kenya. It is recommended that in order to create a better understanding of strategic management in the public sector, organizations in the public sector be stratified into more closely related groups and be studied together. This will enable scholars to draw more accurate conclusions and give policy makers a more solid grip of the state of strategic management in various government agencies. This is necessary to ensure that the various government agencies have capacity to link

their activities to the Government's long terms plans for example the National Vision 2030.

It is apparent that strategic management has been widely embraced by the public sector in Kenya. However, in order to ensure that it is better understood, it is important that the way theories and concepts of strategic management are being applied be investigated and be fully documented. In order for the public sector to deliver the best results for Kenyans, it is important that studies be conducted on how effective strategic management is being carried out, and also which strategic management control tools are more effective in the public sector.

There is unlimited scope for studies in strategic management in other African countries. This is necessary to ensure that contextual issues are fully investigated and documented.

5.4   Limitations of the study

This study was faced by a number of limitations; but perhaps the one that takes prominence is the lack of similar studies conducted in the Kenyan context. Therefore, information was limited since contextually, many areas have not been adequately covered. In using the survey data collection method, there are some inherent weaknesses. Some of those experienced in this study are:

a) Self reporting is not always accurate and true. Some respondents may have given a better picture than what actually obtains especially in organizations where the survey questionnaire had to be prepared by one officer, and then checked by another officer and a copy of the same filed.

b) Some respondents may have misunderstood some of the questions, thus did not provide the required information.

c) Information may not have come from the most reliable source since some of the target respondents could have delegated the responsibility of filling the questionnaire.

d) The features of non-commercial state corporations are not homogenous; it is possible that the respondent organizations may not be an accurate representation of the entire population.

In some organizations, the target respondents were reluctant to complete the questionnaire or required that questionnaire be channeled through highly bureaucratic systems.

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APPENDICES

APPENDIX A -LIST OF NON-COMMERCIAL STATE CORPORATIONS

Non-Commercial State Corporations in the study Population
1. Athi Services Board
2. Capital Markets Authority
3. Commission of Higher Education
4. Communications Commission of Kenya
5. Egerton University
6. Energy Regulatory Commission
7. Export Processing Zones Authority
8. Export Promotion Council
9. Film Censorship Board
10. Higher Education Loans Board
11. Kenya Agricultural Research Institute
12. Kenya Airports Authority
13. Kenya Bureau of Standards
14. Kenya Civil Aviation Authority
15. Kenya Education Staff Institute
16. Kenya Film Censorship Board
17. Kenya Film Commission
18. Kenya Institute for Public Policy Research & Analysis
19. Kenya Institute of Administration
20. Kenya Institute of Education
21. Kenya Institute of Special Education
22. Kenya Investment Authority
23. Kenya Medical Research Institute
24. Kenya Medical Supplies Agency
25. Kenya National Examinations Council
26. Kenya National Library Services
27. Kenya Ports Authority
28. Kenya Revenue Authority
29. Kenya Roads Board
30. Kenya Sugar Board
31. Kenya Tourism Board
32. Kenya Wildlife Service
33. Kenyatta National Hospital
34. Kenyatta University
35. Moi Referral and Teaching Hospital
36. Moi University
37. National Aids Control Council
38. National Environment Management Agency
39. National Hospital Insurance Fund
40. National Water Conservation and Pipeline Corporation
41. NGO Coordination Bureau
42. Pharmacy &Poison Board
43. Privatization Commission
44. Public Procurement Oversight Advisory Board
45. Radiation Protection Board

46. Retirement Benefits Authority
47. Rift Valley Water Services Board
48. Rural Electrification Authority
49. Tana Athi Rivers Development Authority
50. Tea Board of Kenya
51. Tea Research Foundation
52. University of Nairobi
53. Utali College
54. Water Resources Management Authority
55. Water Services Regulatory Board

Source: www.prspc.go.ke   (2009), Performance Contracts Vetting Programme, pp. 3-5

APPENDIX B: LETTER TO NON COMMERCIAL STATE CORPORATIONS

EDWARD OTSIEKA OPIAYO,
MBA PROGRAMME,
SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI.

28TH AUGUST, 2009

THE HEAD OF STRATEGIC PLANNING,

XXXXXXXXXXXXXXXXXXXXXXXX

Dear Sir/Madam,

I am a student in the School of Business, University of Nairobi. In partial fulfilment of the requirements for the degree of Master of Business Administration (MBA), I am conducting a survey study titled "**STRATEGIC PLANNING AND IMPLEMENTATION IN NON-COMMERCIAL STATE CORPORATIONS IN KENYA**".

Your organization has been selected to form part of the study. I kindly request you to complete the enclosed questionnaire, which forms an integral part of this study. The information and data is required for academic purposes and will be treated in the strictest confidence. A copy of the research project will be made available to your organization upon request.

Please find enclosed a copy of my introductory letter from the University of Nairobi.

Your cooperation is highly appreciated. Thank you.

Yours sincerely,

Edward O. Opiayo
Encl:

APPENDIX C- INRODUCTORY LETTER FROM THE   UNIVERSITY OF NAIROBI

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

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

P O Box 30197
Nairobi, Kenya

DATE......27th August, 2009

TO WHOM IT MAY CONCERN

The bearer of this letter ......EDWARD OTSIEKA OPIAYO

Registration No: D61/P/7097/04

is a Master of Business Administration (MBA) student of the University of Nairobi.

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX D-QUESTIONNAIRE

This survey research is undertaken in partial fulfilment of the requirements for the University of Nairobi, Master of Business Administration. Kindly fill it with us much detailed information as possible. In case the space provided is not adequate, use additional sheets of paper and attach to the questionnaire.

SECTION A: DEMOGRAPHIC CHARACTERISTICS

1. Name of the state corporation...

2. Year of incorporation of the institution...

3. The parent Ministry to which the government institution administratively reports

    to..

4. What is the mission of your organization as you understand it?

    ....

    ....

    ....

    ....

    ....

    5. What is the estimated annual budget of your organization in Kenya Shillings?

        ....

    6. How many people are permanently employed by your organization

        currently?..

    7. In how many provinces of Kenya do you have offices? ....

SECTION B: STRATEGIC PLANNING AND IMPLEMENTATION PROCESS

1. Does your organization have a strategic plan?

    Yes   [ ]

    No   [ ]

2. When did your organization start to develop strategic plans?

....

3. What time related strategic plan does your organization follow?

   A one year plan   [ ]

   A two year plan   [ ]

   A three year plan   [ ]

   A five year plan   [ ]

   Other (specify)   [ ] _____

4. How often do you hold formal strategic planning sessions in your organization?

   At least Bi-annually   [ ]

   Annually   [ ]

   Every two-three years   [ ]

   Every four –five years   [ ]

   Other (specify)   [ ]   _____

5. Who are involved in the formulation of the strategic plans? (You can tick more than one).

   a) The Parent Ministry   [ ]

   b) The Board of Directors   [ ]

   c) The Top management   [ ]

   d) The Middle Management   [ ]

   e) All staff   [ ]

   f) Others (Please specify)   [ ]_____

6. Which of the following theoretical models and processes do you use when preparing your strategic plan?(You can tick more than one)

   a) SWOT analysis   [ ]

b) Environmental scanning   [ ]

c) PESTEL analysis   [ ]

d) Scenario analysis   [ ]

e) Competitor analysis   [ ]

f) Five Forces Model   [ ]

g) BCG-Growth Share Matrix   [ ]

h) Customer satisfaction analysis [ ]

i) Employee satisfaction analysis [ ]

f) Others (Please specify)   [ ]_____

7. Who is involved in the implementation of the strategic plans? (Can tick more than one).

a) The Parent Ministry   [ ]

b) The Board of Directors   [ ]

b) The Top management   [ ]

c) The middle level managers   [ ]

d) All employees   [ ]

e) Others (Please specify)   [ ] _____

8. Who is involved in the evaluation and control of the strategic plans? (Can tick more than one).

a) The Parent Ministry   [ ]

b) The Board of Directors   [ ]

b) The Top management   [ ]

c) The middle level managers   [ ]

d) All employees   [ ]

e) Others (Please specify)   [ ] _____

9. Please list your organization's current strategic objectives.

    ....

    ....

    ....

    ....

    ....

    ....

10. What Strategic control tool did you apply before the introduction of

    Performance contracting?...

    ....

    ....

11. How effective has the performance contracts been to your organization as
    compared to the other alternatives?

    a) Extremely effective   [ ]

    b) Very effective   [ ]

    c) Same effectiveness   [ ]

    d) Less effective   [ ]

    e) Not effective   [ ]

PART C: FACTORS THAT INFLUENCE STRATEGIC IMPLEMENTATION

12. Please rank the following factors considered in the **formulation** of strategic
    plans in order of significance; with 1 being the most significant and 3 the least
    significant.

    a) Leadership   [   ]
    b) Organizational Culture   [   ]
    c) Organizational Structure   [   ]

13. Please rank the following factors considered in the **implementation** of strategic plan in order of significance; with 1 being the most significant and 3 the least significant.

    a) Leadership   [   ]
    b) Organizational Culture   [   ]
    c) Organizational Structure   [   ]

14. Please rate the following activities undertaken during strategic implementation against the scale provided below:

Strategy Implementation requires management to:	Strongly Disagree	Disagree	Indifferent	Agree	Strongly Agree
a. Make any necessary changes to the organization's structure					
b. Communicate to employees when and how the strategies will be carried out					
c. Ensure that employees are equipped with the right technology					
d. Consistent monitoring to ensure that all activities are co-ordinated					
e. Assign people who are able to be responsible for implementing these strategies					
f. State the activities to be implemented					
g. Define the deadlines for implementing the strategies					
h. Establish annual objectives					
i. Develop policies to guide the implementation process					
j. Allocate resources needed to implement these strategies					
k. Enhance organizational culture					
l. Manage potential conflict that may result from the implementation process					

PART D: CHALLENGES OF STRATEGY IMPLEMENTATION

15. Strategy implementation has a number of challenges, please indicate in percentage the extent to which you were able to implement the activities identified in your strategic plan.

_____%.

16. Literature has identified a number of problems that are encountered in strategic planning and implementation? Please rate the problems listed below by indicating to what extent they hamper strategy planning and implementation in your organization. **Use a scale of 1-5 as follows: 1-Very low; 2=Low, 3=In-between; 4=High; 5=Very high.**

Failure to understand the customer   [1] [2] [3] [4] [5]

Inadequate or incorrect research before
 crafting strategies   [1] [2] [3] [4] [5]

Inability to predict societal
and political reaction   [1] [2] [3] [4] [5]

Intervention by parent ministry   [1] [2] [3] [4] [5]

Over-estimation of resource competence   [1] [2] [3] [4] [5]

Inability of the staff, equipment, and processes   [1] [2] [3] [4] [5]
handle the new strategy

Failure to develop new employee
and management skills   [1] [2] [3] [4] [5]

Failure to coordinate   [1] [2] [3] [4] [5]

Reporting and control relationships not adequate   [1] [2] [3] [4] [5]

Organizational structure not flexible enough   [1] [2] [3] [4] [5]

Failure to obtain senior management commitment   [1] [2] [3] [4] [5]

Failure to get middle management involved
 right from the start   [1] [2] [3] [4] [5]

Insufficient government resources
allocation to accomplish task   [1] [2] [3] [4] [5]

Failure to obtain employee commitment   [1] [2] [3] [4] [5]

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New strategy not well explained to employees   [1] [2] [3] [4] [5]

No incentives given to workers to
embrace the new strategy   [1] [2] [3] [4] [5]

Under-estimation of time requirements   [1] [2] [3] [4] [5]

Failure to follow the plan   [1] [2] [3] [4] [5]

Lack of follow up of the initial plan
to track the progress during implementation   [1] [2] [3] [4] [5]

No consequences for non-achievement
of performance contracts   [1] [2] [3] [4] [5]

Resistance to change   [1] [2] [3] [4] [5]

Inadequate understanding of the
internal resistance to change   [1] [2] [3] [4] [5]

Poor communications   [1] [2] [3] [4] [5]

Exclusion of stakeholders and delegates   [1] [2] [3] [4] [5]

Thank you for your participation.