

**STRATEGIC PLANNING PRACTICES BY KENYA MEDICAL SUPPLIES AGENCY**

**BY**

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REQUIREMENTS OF THE AWARD OF THE DEGREE OF MASTER OF BUSINESS  
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**DECLARATION**

This project is my original work and has not been presented for a degree in any other University

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This project has been submitted for examination with my approval as University

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## **DEDICATION**

I dedicate this project to my family. Without their encouragement, understanding, support and much of all love, the completion of this work would not have been possible. I also dedicate it to my employer, for it is through their financial and moral support that I have been able to pursue my studies.

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## ACRONYMS

BPR-	Business Process Reengineering
IT-	Information and Technology
KCCT-	Kenya College of Communication and Technology
KEMSA-	Kenya Medical Supplies Agency
KNH-	Kenyatta National Hospital
MEDS	Mission for Essential Drugs and Supplies
MoH	Ministry of Health
MSCU-	Medical Stores Coordinating Unit
MTRH-	Moi Teaching and Referral Hospital
SBU-	Strategic Business Unit
SPI-	Strategic Planning Index



## **ABSTRACT**

Changes in the environment have drastically affected the way in which organizations operate. These changes are within both the internal and external environment and organizations strive to be innovative and agile enough to meet customers' demands. To manage organizations effectively in the rapidly changing environment, innovative leaders and managers have responded to the changing environmental conditions by developing strategic responses. The researcher was motivated to bridge the gap of knowledge by answering the following research question; what are the strategic planning practices adopted by KEMSA? The study was a case study design. The study focused on strategic Planning Practices adopted by KEMSA.

The results were expected to provide an insight into understanding how KEMSA should prepare to successfully defend its leading role as the Governments supplier of medical commodities and also deal with other competitors. The study used both primary and secondary data. The primary data was collected through a face to face interview with the researcher. The data collected was qualitatively analyzed by use of content analysis techniques. The content analysis technique was used because it assists in making inferences by systematically and objectively identifying specific messages and then relating them with their occurrence trends. The study established that KEMSA identified strategic pillars around which strategic objectives were formulated. KEMSA has embraced the culture of customer oriented practices whose focus is on improved, efficient and high standards in customer service delivery.

In addition, KEMSA now operates on performance management tenets. Further, KEMSA was implementing legal and regulatory reforms, capitalization, commercialization, , policy reforms and corporate culture change. The study also established that KEMSA's choice was driven by frequent customer complaints and general public malaise about KEMSA past history of poor performance, and the new political dispensation of devolved service provision to the Counties and also the performance contracting introduced by the Government. This study recommends that the government of Kenya should fund the construction of modern warehouses. The study also recommends that KEMSA staffs should be accountable to the public when it comes to the service delivery.

## **CHAPTER ONE: INTRODUCTION**

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

The Kenya Medical Supplies Agency (KEMSA) is a specialized medical logistics provider for Ministries of Medical Services/Public Health and Sanitation-supported health facilities and programmes. KEMSA works to support the National Health Strategic Plan and the Kenya Health Package for Health in providing public health facilities with the “right quantity and quality of drugs and medical supplies” at the best market value. KEMSA’s overall mandate is to procure, warehouse and distribute medical commodities to public health facilities operated by the Ministry of Medical Services.

#### **1.1.1 The Concept of Strategy**

Strategy is a multi dimensional concept and various authors have defined strategy in different ways. It is the match between an organization’s resources, skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (Thompson et al, 2003) it is meant to provide guidance and direction for the activities of the organization. Since strategic decisions influence the way organizations respond to their environment, it is very important for a firm to make strategic plans and define strategy in terms of its function to the environment. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007).

The concept of strategy is the firm’s business and the common thread which is arrived at through the use of the product-market scope (Ansoff, 1965). Strategy is also defined in terms of corporate strategy as the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or it is to be.

Mintzberg (1994) defines strategy as a pattern in a stream of decisions and actions. He defines strategy as a plan, ploy, pattern, position, and rules for guidance of organizational behavior such rules, they note, are of four types. First, they are yardsticks by which present and future of

performance of the firm is measured (goals and objectives). Then there are rules for developing the firm's relationships with its external environment (business strategy), next are rules for establishing the internal relations and processes within the organization (organizational concept). Finally, there are rules by which the firm conduct its day-to-day business (operating policies).

According to Johnson and Scholes (1999), strategy is the directional and scope of an organization over the long-term, which achieves the advantage for the organization through its configuration of resources within a changing environment, to meet the needs of the market and fulfill stakeholder expectations. A well-formulated strategy enables the organization to marshal and allocate its resources in unique way on the basis of its relative internal competencies and limitation, expected changes in the environment, and contingent actions by competitors. Strategy therefore, not only focuses on the goals and objectives of an organization and the means of achieving them, but also gives an indication on the nature of the company and its business, both in the present and in the long run.

### **1.1.2 Strategic planning practices and model**

The objective of strategy is to bring about advantageous conditions within which action will occur. The concept of strategy has developed as an important aspect of managing as the dynamics and complexity of the world and business environment have increased. The term strategy is used to explain both the processes for example organizational restructuring and the outcomes of chosen long-term directions. It can be either a conscious, planned activity or a series of events, which lead to a desirable objective. A strategy involves an evaluation of the likely impacts of both the external and internal organizational environment, the long-term goals of the organization (Mintzberg *et al.*, 1998).

The basic strategic planning model suggests that a company's strategies are as a result of a plan hence the planning process itself is rational, highly structured and that the process itself is orchestrated by top management (Hickson *et al.*, 2003). The organizations engage in strategic planning practices so as to clearly define their goals and objectives. The strategic planning model assesses both the internal and external environments to formulate strategy, implement the strategy, and evaluate the success of strategy. Strategic planning incorporates planning, incremental, cultural, political and visionary views. Moreover, strategic planning should involve

objective setting, analysis of environmental trends and resource capabilities, evaluation of different options and careful planning and implementation of strategies (Johnson *et al.*, 2006).

There is no single “best practice” for how to do successful strategic planning. The timing and process will differ depending on industry, market pressures, and the size and culture of the business. In the past, a five to ten year strategy time horizon was common, yet today we see how difficult it is to plan beyond two or three years. Centralized initiatives and the “top-down” setting of goals are necessary to initiate diversification (Grant, 1998) and a centralized approach to planning is consistent with a single or narrow range of businesses (Lawler, 2010). The organization's strategic orientation has been associated with strategic planning system characteristics (Johnson and Scholes 2002). Further relationships between strategic orientation and planning process characteristics are identified by Barringer and Bluedorn (1999), finding positive relationships between corporate entrepreneurship and the intensity of environmental scanning activity, planning flexibility, high levels of employee participation in planning activity and an emphasis on strategic controls. An emphasis upon a low-cost orientation appears to be associated with greater size and sophistication of planning effort, greater control of internal processes as well as anticipation of environmental conditions (Yasai-Ardekani and Haug, 1997).

Another step in the process involves evaluation of organizational strengths, weaknesses, opportunities, and threats (SWOT Analysis) (Regner, 2003). The organization's strengths and weakness include internal organizational factors to address, whereas the opportunities and threats represent external environmental factors in the organization's periphery. What may represent strengths with respect to one objective may be weaknesses for another objective. The factors may include personnel, finance, manufacturing capabilities, and so on. The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or competitive position. The SWOT Analysis also incorporates knowledge attained during the strategic planning process.

### **1.1.3 Health sector in Kenya**

Since independence the Kenyan government has given priority to the improvement of the health status of Kenyans. It recognizes that good health is a prerequisite to socioeconomic development. Every person has the right— to the highest attainable standard of health, which includes the right to health care services, including reproductive health care, (Article 43; 1 a of the Kenyan

Constitution). The organization of the Kenya's health care delivery systems revolves around three levels, namely the Ministry of Medical Services and Ministry of Public Health and Sanitation headquarters, the provinces and the districts. The headquarters set the policies, coordinates the activities of the health facilities in the provinces and districts. The provincial tier acts as an intermediary between the central ministries and the districts. It oversees the implementation of health policy at the district level, maintains quality standards and coordinates and controls all district health activities. The district level concentrates on the delivery of health care services and generates their own expenditure plans and budget requirements based on the guidelines from the headquarters through the provinces (Ngigi and Macharia, 2006).

The health system in Kenya is organized and implemented through a network of facilities organized in a pyramidal pattern. The network starts from Community Health Clinics and Dispensaries at the bottom up to Health Centre, Sub-District Hospitals, District Hospitals, Provincial General Hospitals and at the apex there is the Referral Hospital, Kenyatta National Hospital (KNH) and Moi Teaching and Referral Hospital (MTRH). Facilities become more and more sophisticated in diagnostic, therapeutic and rehabilitative services at the upper levels.

#### **1.1.4 Kenya Medical Supplies Agency**

Kenya Medical Supplies Agency (KEMSA), formerly Medical Stores Coordinating Unit (MSCU) was established to develop a supply chain system that is able to respond to the demands of the districts and health facilities, by distributing drugs and medical supplies rationally according to specific needs in the country. Prior to the formation of KEMSA, MSCU was the operating organization responsible for the distribution of drugs and medical supplies in Kenya. However, MSCU was unable to provide quality services in the procurement, warehousing and distribution of medical supplies due to a number of operational and organizational constraints. The Lack of drugs and other medical supplies was the missing link to attaining successful health care outcomes. (KEMSA Report , 2006/2007).

Among other things, KEMSA is mandated to: develop and operate a viable commercial service for the procurement and sale of high quality drugs and other medical supplies, provide a secure source of drugs and other medical supplies to public health institutions and advise the Health Management Boards and the general public on matters relating to the procurement, cost effectiveness and rational use of drugs and other medical supplies. The Chief Executive Officer

oversees the day-to-day running of KEMSA under the supervision of an 11-member Board of Directors who represent cross-section of interests in the healthcare delivery system. They include a non-executive chairman; the Government of Kenya/Ministry of Health—Permanent Secretary, Director of Medical Services, Chief Pharmacist and Registrar of Nursing Council; the Pharmaceutical Society of Kenya; the Federation of Pharmaceutical Manufactures of Kenya; District Health Management Boards; the Kenya Medical Association; the Kenya Institute of Management; and Chief Executive of KEMSA.

It is against this background that Health stakeholders met at KCCT Mbagathi between June 7—10, 1998 and recommended setting up an autonomous corporate entity “... to Plan, Procure, Warehouse and Distribute drugs and other medical supplies to Public Health Facilities - PHFs.” KEMSA was therefore created vide Legal Notice No. 17, Kenya Gazette Supplement No. 8, Legislative Supplement No.5 of 11th February 2000 under the State Corporations Act, Cap 446, and KEMSA was established as a state corporation to fulfill the following objectives: develop and operate a viable commercial service for the procurement and sale of drugs and medical supplies, provide a secure and reliable source of drugs and medical supplies to public health institutions, provide advice to the health boards and the general public on matters relating to the procurement, cost effectiveness and use of drugs and other medical supplies. A Board of Directors for KEMSA was subsequently established in February 2000 and was inaugurated on 30 November 2000. (KEMSA Report , 2006/2007).

## **1.2 Research Problem**

Changes in the environment have drastically affected the way in which organizations operate. These changes are within both the internal and external environment and organizations strive to be innovative and agile enough to meet customers’ demands. To manage organizations effectively in the rapidly changing environment, innovative leaders and managers have responded to the changing environmental conditions by developing strategic responses. Strategic responses are intended to ensure organizations ability to think and act strategically. Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are three basic businesses strategies – differentiation, cost leadership, and focus and

an organization performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer an organization the best chance to achieve a competitive advantage (Cross, 1999). Different organizations use different strategies to respond to the changes in the environment. Whatever strategy a firm chooses, it must fit with the organization and its goals and objectives to gain a competitive advantage.

The public health sector in Kenya is under immense pressure by external and internal stakeholders with hopes of acquiring and distributing pharmaceuticals and health-related products and services in a cost efficient manner, yet maintaining excellent level of service. As in any sector, producing products and services efficiently means lowering the price, developing significant products and services faster, and improving upon quality initiatives. The public health sector is presented with difficult challenges economically and politically in the global market. Customers, governments, and the general public are among the most demanding outside stakeholders that affect the industry. The government has been undertaking pharmaceutical reforms to operationalize implementation of the National Drug Policy. This policy aims at rationalizing the use of available resources to strengthen pharmaceutical services that are responsive to the requirements of all Kenyans in the prevention, diagnosis and treatment of disease, (Child, 1972; Weick, 1979).

There are many local studies that have been done in Kenya regarding strategic responses to environmental challenges; Kombo (1997) did strategic responses by firms facing changed environmental conditions in motor vehicle franchise holders and found out that motor vehicle franchise holders made substantial adjustment in their variables in order to survive in a competitive environment. Kandie (2001) did strategic responses by Telkom Kenya Ltd in a competitive environment and found out that although Telkom Kenya has responded to its environment, financial constraints and lack of managerial empowerment considerably limited the organization's capacity to respond. Kiptugen (2003) researched on strategic responses by Kenya Commercial Bank to a changing competitive environment and established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change. Atheru (2007) worked on strategic responses by meteorological department to the needs of their customers and found out that Kenya Meteorological Department did not have adequate capacity to respond to the needs of

their customers. Buller and Stull, (1987) did a study on strategic management practices in cooperative education. They carried out a national survey of 285 cooperative education directors from postsecondary institutions. They found out that strategic planning in cooperative education is not widely used and somewhat unsophisticated. Results also indicated that strategic planning may be associated with positive program outcomes. Baile, (1998) did a study on strategic planning in federal organization. The results present the difficulties reported by planners in eighteen separate federal agencies and show a relationship between the degree of publicness of the agency and the difficulties encountered in strategic planning. None of the studies conducted on strategic planning practices have dwelt on strategic planning practices by KEMSA management. The researcher was therefore motivated to fill the knowledge gap by seeking to identify the strategic planning practices employed by KEMSA. The researcher was motivated to bridge the gap of knowledge by answering the following research question; what are the strategic planning practices adopted by KEMSA?

### **1.3 Research Objective**

The study objective was to determine the strategic planning practices adopted by KEMSA.

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

This study was significant because the results were of benefit to various groups. It was of academic value to those interested in public health sector studies with an aim of establishing a business in the pharmaceutical supply chain industry since they were able to understand what to do right to succeed and what if done wrong would bring the business down.

Future scholars may use the results of this study as a source of reference. The findings of this study can be compared with strategic management in other sectors to draw conclusions on various ways a organization can respond to competitive forces in the environment.

It would also benefit consultants who endeavor to provide assistance to successful running of pharmaceutical supply chain organizations, in developing and sustaining a competitive edge in their environment. In addition, it would provide assistance to consultants who endeavor to provide assistance to the Public and private health sectors.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews the available literature related to strategic planning practices adopted by KEMSA. It will include empirical review, strategic planning, strategic planning practices and the effectiveness of strategic planning practices.

### **2.2 Strategic planning process**

Steiner (1979) provided a thorough conceptualization of strategic planning. According to Steiner, planning is an attitude and a process concerned with the future consequences of current decisions. Formal strategic planning links short, intermediate, and long-range plans. Strategic planning does not attempt to make future decisions or even forecast future events. It need not replace managerial intuition and judgment with massive, detailed sets of plans. The literature is inundated with the apparent advantages of planning, most notably its ability to improve the fit between the organization and its external environment (Godiwalla, Meinhart, & Warde, 1981). Others have argued that planning aids in the identification of future marketing threats and opportunities, elicits an objective view of managerial problems, creates a framework for internal communication, promotes forward thinking, and encourages a favorable attitude to change (Wilson, 1979). Further, there are intrinsic benefits that accrue as a result of the planning process, including the positive effects of planning on local employment and the economy (Greenley, 1986).

Langley (1988) also provided support for the benefits of planning, identifying four roles of formal strategic planning. In the public relations role, formal strategic planning is intended to impress or influence outsiders. The information role provides input for management decisions. The group therapy role is intended to increase organizational commitment through the involvement of people at all levels of the organization in strategic planning. Finally, the direction and control role is fulfilled when plans serve to guide future decisions and activities toward some consistent ends.

### **2.2.1 Strategic Planning Practices**

Strategic planning is most effective when the following elements are present: First, establishment of a strategic planning committee. If the board is serious about strategic planning (and it needs to be!), it will establish a strategic planning committee. Second, there needs to be a thorough and shared understanding of strategic planning. The term “strategic planning” is sometimes used to describe a range of planning activities. It is important that the process is looked upon in the same way by board, staff and other participants in the strategic planning process. There also needs to be agreement on outcomes. While it is true that the expected outcome of most strategic planning processes is a strategic plan document, it is also important to discuss and eventually agree upon other expected outcomes. For example there may be a specific critical issue that the board wants to focus on by means of strategic planning. Typically, planning outcomes will include some or all of the following: i) Board leadership and management staff will have a thorough understanding of the critical issues and choices facing the organization over the next 5 years. ii) A strategic plan document including a mission statement, strategic vision statement, goals and strategies will be produced. The plan will give special attention to organizational structures that will best support the overall strategic plan. iii) The strategic plan will have a day-to-day relevance on management and governance; and iv) There will be enthusiasm and support for the strategic plan at all levels of the organization. (Booz Allen 2012)

The American Quality and Productivity Center’s International Benchmarking Clearing house analyzed the strategic planning processes of 45 top companies, including Alcoa, Deere & Company, Frito-Lay, Shell International Petroleum Company, Whirlpool and Xerox Corporation.

The following is a summary of many of the best practices employed by these highly successful corporations, as revealed in the Clearinghouse’s 1996 strategy study;<sup>1</sup> Stretch goals drive strategic out-of-the-box thinking. While different organizations use different parameters, all of the best practice companies set targets that required a shift from business as usual.<sup>2</sup> Their planning processes are evolving and flexible. A "continuous improvement" philosophy guides the planning-process design.<sup>3</sup> Communication of the strategic plan is a formal and significant element of the process and it is viewed as a measure of quality planning.<sup>4</sup> Planners emphasize action plans and strategic thinking. Planners expect strategic thinking to take place primarily at

the business unit level.<sup>5</sup> The planners' distinction between strategic planning and business planning is increasingly blurred. As the cycle time between strategic plans shortens, business planning is done within the context of a strong corporate vision or culture, even if a corporate strategy is not articulated.

.Others include; 6. The role of strategic planning as a key element in the management system is explicitly recognized through strong links to other elements of the management system (e.g., strong human resources and organizational structures).<sup>7</sup> Documentation of strategic thinking is stressed.<sup>8</sup> A single core competence or capability is not the driver of strategic planning. Instead, the basis for competitive advantage and new business development is based on diverse competencies.<sup>9</sup> Approaches to planning processes and planning system designs vary greatly. Although approaches vary, the framework of issue and option generation, prioritization, review and feedback continues to have universal relevance.

### **2.3 Strategic planning**

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. In order to determine the direction of the organization, it is necessary to understand its current position and the possible avenues through which it can pursue a particular course of action.

The practice of strategic planning has become nearly ubiquitous among governments at all levels and in all types of nonprofit organizations (Poister and Streib 2005). On the one hand, this ubiquity may be simply a consequence of faddishness (Pfeffer and Sutton 2006), coercion (Radin 2006), or normative mimesis (DiMaggio and Powell 1983). On the other hand, strategic planning may also be popular because in many circumstances it seems “to work” – in the sense of helping decision makers figure out what their organizations should be doing, how, and why. In other words, strategic planning in some circumstances may provide a way of knowing helpful to decision makers. By “way of knowing,” we mean in the first instance a practice, or customary way of doing something, that allows its users jointly to develop, show, or possess knowledge or understanding (adapted from *The American Heritage Dictionary* 2000 definitions of “way” and “knowing”; (Reckwitz 2002; and Jarzabkowski 2005). In a broader sense, a way of knowing may also mean “a dynamic network of heterogeneous objects” – including human and non-human

actors and ideas – in which the actors may transform the objects and ideas, and not just transport them as they move through time and across space (Feldman et al. 2006; Latour 2005, 37 – 42, 223). As Nicolini, Gherardi, and Yanow (2003, 19) assert, “Knowing is therefore another way to describe the successful alignment of human and nonhuman elements ... and the human capacity to produce an effect on the world.” Knowing in this sense is a product of what Law (1987) calls “heterogeneous engineering,” or what Innes and Booher (1996) describe as a kind of bricolage.

### **2.3.1 Characteristics of a useful strategic plan**

According to ‘Professional Practices in Association Management,(1997),a useful strategic plan exhibits many characteristics. Specifically, it should be: 1. A set of priorities. Setting priorities allows for the plan to be adjusted according to changing needs or resources.2. Achievable, measurable, and time sensitive. Remember, it’s better to do a few things well than many things poorly. The plan should contain goals that are measurable and have deadlines.3. Flexible and responsive to changing conditions. The plan is a road map that may contain unforeseen detours such as unexpected crises, new opportunities, or changes in resources.4. Short and simple. Plans that are more like a book will sit on a shelf. Keep it focused on the most important things to accomplish.5. A unit, not a menu . A useful plan is not a wish book. Everything in the plan needs to be accomplished.6. The means to an end, not an end in itself. The plan is the process by which it reaches its destination; it is not the destination.7. Based on a three- to five-year period. The strategic plan should be a living document that has a one-year drop off and a new year added so that it always covers the same time period.

### **2.4 Effectiveness of Strategic Planning Practices**

Changes in the business environment are leading to new and greater demands on strategic planning systems. Moreover, given that strategic planning's sole purpose is to improve strategic performance, improving, assessing and monitoring the effectiveness of the strategic planning process would appear to be a key managerial task. However, our research has noted that many organizations do not perform the task. When questioned, many practitioners complained that little guidance has been available to assist them in understanding and measuring strategic planning effectiveness. In an effort to assist those responsible for the strategic planning process we have developed a diagnostic tool called the strategic planning index (SPI). The SPI was

originally tested in over 100 strategic business units (SBUs) drawn from 15 service-sector organizations (Phillips and Moutinho, 1998a). The tool provides a balanced framework for identifying the salient dimensions of strategic planning effectiveness by addressing three critical areas. The tool helps managers design and implement a more effective planning process, and helps create more effective people. The SPI can be used to benchmark internally, and as a comparative device with other organizations allowing managers to consider new activities being used in "best practice" organizations throughout the world.

Despite the increasing interest in organizational effectiveness there is little consensus over what constitutes a valid set of effectiveness criteria (Smith, 1998). This is somewhat surprising given that the effectiveness of the overall planning process may be as important as formalisation and comprehensiveness (Lysonski and Pecotich, 1990). The traditional approach which involves measuring effectiveness in terms of objectives poses a number of problems. For example, effective performance must be determined, in part, by the objectives of the organization itself rather than by an externally imposed standard (Otley, 1980). Even within the same organization common objectives may differ.

The effectiveness of the nature of strategic planning in firms, as opposed solely to performance outcomes has been highlighted as a major problem, (e.g. Dyson and Foster, 1980; Greenley, 1983). Some writers have proposed methods to evaluate the strategic planning system (SPS), (Foster 1994). There have been two main approaches to evaluate the effectiveness of a strategic planning system process and ends-oriented (Foster, 1994). The process approach considers the whole system and provides users with a means of identifying weaknesses, while end-oriented focuses on the outputs of the system. While Foster recommends the sole use of the first approach, Phillips and Moutinho (1998b, 1998c) have shown that perhaps the best measure of effectiveness is to include a combination of both approaches.

## **2.5. The role of KEMSA in the health sector in Kenya**

Kenya Medical Supplies Agency (KEMSA) is a semi-autonomous unit in the Ministry of Health. Its policy is to make available essential drugs and equipment primarily but not exclusively, to public facilities. It is the largest purchaser of drugs in the country, through an open-tender system and distributes them to public medical institutions.

The tendering system for drugs is open to both local and foreign manufacturers and distributors. KEMSA gets its funding from the MoH, which in turn receives an annual budget from the Exchequer for drugs and medical supplies based on an estimate of national public health delivery requirements. This budget is available for payment to both foreign and local suppliers as and when required. The medical supplies comprise both proprietary and generic pharmaceutical products. KEMSA faces the challenge competing with other suppliers, e.g. the mission based medical supply facility (MEDS) and private wholesalers (Aronovich D. 2001).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter covers the methodology of the research study. This will explain how the research will be done. The research methodology is presented in the following order; the research design, data collection and data analysis.

### **3.2 Research Design**

The study was a case study design. The case study design was chosen since the research is specific to an organization and case studies allow a researcher to collect in-depth information with the intention of understanding situations or phenomenon. It also helps to reveal the multiplicity of factors, which have interacted to produce the unique character of the entity that is subject of study. Case studies provide very focused and valuable insights to phenomenon that may otherwise be vaguely known or understood.

A case can be defined as a powerful form of qualitative analysis and involves careful and complete observation of a social unit be it a person, family, cultural group or an entire community and/or institution. The study focused on strategic Planning Practices adopted by KEMSA. The results were expected to provide an insight into understanding how KEMSA should prepare to successfully defend its leading role as the Governments supplier of medical commodities and also deal with other competitors.

### **3.3 Data Collection**

The study used both primary and secondary data. The primary data was collected through a face to face interview with the researcher. An interview guide was used to collect data on the strategic Planning Practices adopted by KEMSA .The researcher held in-depth interviews with three members of the management team and the Chairman of the Board of Management who are considered as the key informants for this research. These respondents are involved in formulation and implementation of organization's strategies.

The Board is involved in overseeing the implementation of policy issues which include strategy implementation. Those that were interviewed included; Chief Executive Officer, Procurement Director, Operations Director, Legal services Director and the Finance and Administration Director and Heads of Departments. Secondary data was collected from organization's documents such as annual reports, strategic plans, business plans and performance evaluation reports.

### **3.4 Data Analysis**

The data collected was qualitatively be analyzed by use of content analysis techniques. Before the actual analysis information was evaluated to determine their usefulness, consistency, credibility and adequacy. The content analysis technique was used because it assists in making inferences by systematically and objectively identifying specific messages and then relating them with their occurrence trends.

Content analysis is the effort to develop an objective, systematic and quantitative description of the manifest content of communication. Similar studies in the past like those done by Armule (2003) and Kandie (2001) used this technique of content analysis to analyze data collected from a case study.



## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

### 4.1 Introduction

This chapter presents the analysis of data and discussion of the research findings. The chapter outlines the findings based on the research objective. The purpose of this study was to determine the strategic planning practices adopted by KEMSA. SPSS was used to generate the descriptive statistics and to establish the relationship between the dependent and the independent variables of the study. The research findings were presented in form of tables, graphs and charts.

This study had 12 respondents who included Chief Executive Officer, Procurement Director, Operations Director, Legal services Director and the Finance and Administration Director and Heads of Departments.

### 4.2 General information

The general information of this study comprised of respondents education background and the duration of time they had been working in the organization.

#### 4.2.1 Educational background of the respondents

The respondents were asked to indicate the highest level of education they had received. The results are shown in figure 4.1 below.

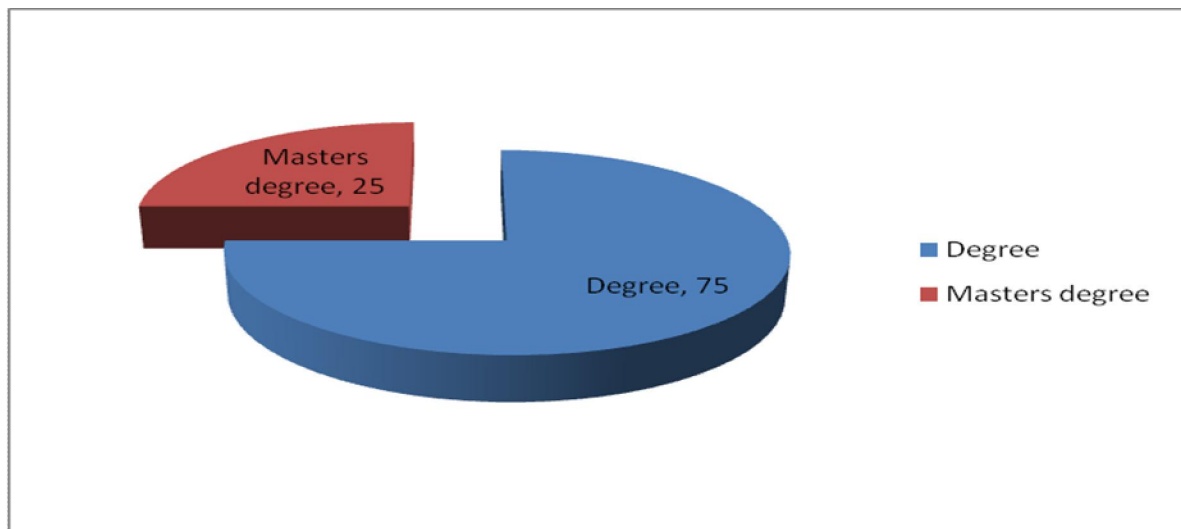


Figure 4. 1: Respondents level of education

According to the findings, 75% of the respondents indicated that they had a masters degree and 25% indicated that they had university degree. This shows that most of the respondents had masters' degree and hence they had the information required in this study. The respondents also indicated that they had Masters Degree in Pharmaceutical Science and business administration.

#### 4.2.2 Duration in the organization

In an effort to establish the respondents work experience the respondents were requested to indicate the duration of time they had worked in the organization.

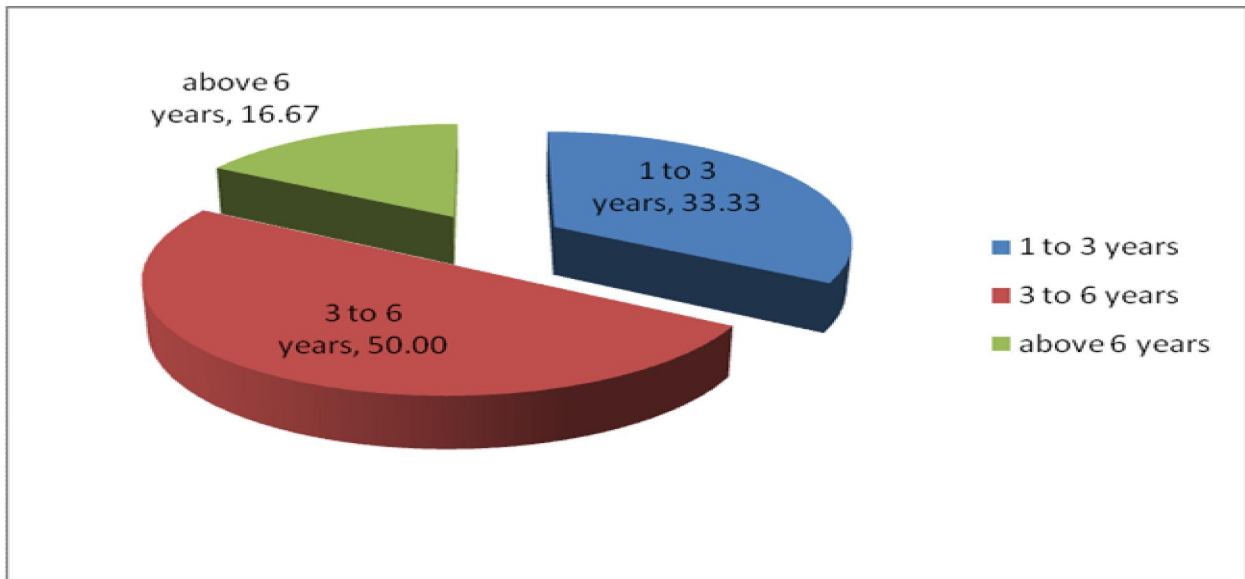


Figure 4. 2: Respondents work experience

From the findings, 50% of the respondents indicated that they had been working in the organization for between 3 and 6 years, 33.33% indicated that they had been working in the organization for between 1 and 3 years and 16.67% indicated that they had been working in the organization for above 6 years. From these findings we can deduce that most of the respondents had been working in their organizations for between 3 and 6 years and hence they had a work experience of between 3 and 6 years.

#### 4.2.3 What the respondents like best about the position they held

The respondents were requested to indicate what they liked most in relation to their positions. From the findings, the respondents indicated that it gave them an opportunity to make contribution in the transformation of KEMSA. The respondents also indicated that it is both

challenging and exciting bearing in mind the mandate of KEMSA and the underlying critical service provision of medical supply chain in the country. Further, the respondents indicated that it gave them an opportunity to make a positive contribution in the health sector

#### **4.2.4 What the respondents like least about the positions they held**

The respondents were further requested to indicate what they liked least about their positions. According to the findings, the respondents indicated that realizing that not many donors are keen to support infrastructural projects while construction of a custom made warehouse is key to KEMSA. The respondents also indicated that the underlying interference and influence from other collaborating Government departments and Agencies when it comes to setting the records straight about the mandate of KEMSA. Facts to the public about KEMSA's role in medical supply chain are held in abeyance to avoid being seen as criticizing/exposing other Government departments/Agencies failures or system and structures weaknesses. The respondents also indicated that they did not like remuneration, unplanned meetings/appointments as well as bureaucracy and work ethics of some colleagues.

#### **4.3 Strategic Planning practices by KEMSA**

The respondents were requested to indicate the strategic practices that KEMSA uses to counter the changes in operating environment. According to the findings, the respondents indicated that KEMSA identified strategic pillars around which strategic objectives were formulated. Further, the respondents indicated that since early 2009, KEMSA has embraced the culture of customer oriented practices whose focus is on improved, efficient and high standards in customer service delivery. KEMSA now operates on performance management tenets. Further KEMSA is now operating on commercial basis with the opening up of a commercial division. The respondents also indicated that KEMSA was repositioning itself in line with the new constitution. In addition, the respondents indicated that KEMSA was using legal and regulatory reforms, capitalization, commercialization, policy reforms and corporate culture change in order to ensure that it remains competitive and relevant into the future.

##### **4.3.1 Drivers of choice of the strategic practices**

The respondents were further asked to indicate what drove KEMSA to the choice of the strategic practices. From the findings, the respondents indicated that KEMSA's choice was driven by

frequent customer complaints and general public malaise about KEMSA past history of poor performance, and the new political dispensation of devolved service provision to the Counties and also the performance contracting introduced by the Government. The respondents also indicated that the changing environment brought about by new constitution and full implementation of KEMSA mandate was driving their choice of strategies. The respondents also indicated that KEMSA did a SWOT analysis which pointed to areas with strategic gaps.

#### **4.3.2 Strategies adopted by the organization (reactive or proactive)**

The study also sought to establish whether the strategies adopted by the organization were reactive or proactive. According to the findings, the respondents indicated that strategies adopted by KEMSA were proactive. At the introduction time, they were reactive in order to address all the urgent issues that were at hand then. That state of affairs changed with time to being proactive. In the latter case, KEMSA now takes the initiative to address issues affecting service delivery to the citizenry. It further became proactive so that KEMSA could embrace good governance practices and accountability.

#### **4.3.3 Importance of various strategic options**

The respondents were further requested to indicate how important the various strategic options had been to their organization in response to changes in the operating environment. According to the findings, the respondents indicated that the strategic practices had facilitated KEMSA to respond to internal and external changes in the environment. The respondents further indicated that the various strategic options chosen by the KEMSA management has been deliberate and result oriented. A case in point that proves this is the rating of KEMSA performance prior to 2008 as poor to a credible rating of being very good in the subsequent years to-date. Equally a close working relationship and collaboration with other Government departments/Agencies and the Development Partners has led to KEMSA realizing its mandate in the current operating environment.

#### **4.3.4 Involvement of employees representatives in formulating the strategies**

The respondents were also asked to indicate whether all employees' representatives were involved in formulating the strategies to be implemented. According to the findings, the respondents indicated that all employees were involved. It was a case of change management

process where all staff members were informed of where KEMSA has come from and the envisaged future. It was a case of changing for the better. All Heads of Departments embraced the strategies and they cascaded what needed to be passed on to their direct reports.

#### **4.3.5 KEMSA focus to the external and internal environment**

The respondents were further requested to indicate what else they felt that KEMSA should do to stay focused to the external and internal environment. The respondents reported that KEMSA should align itself and take into consideration the new devolution dispensation especially on the county governance. In addition, the respondents indicated that KEMSA needs to identify all its key stakeholders and partners and come up with their unique needs analysis for service delivery and equally come up with a roadmap for the future on how it will address the needs of these unique customers and stakeholders. This is evidently very critical with the upcoming devolved county system of governance. The respondents also indicated that there should use of continuous review and scanning of the environment. The respondents also indicated that KEMSA should review the strategy and align to changing market environment and create more awareness of the strategies inside and outside of KEMSA.

#### **4.3.6 KEMSA actions to strategically align itself to the environment**

The respondents were further requested to indicate what actions KEMSA should take to strategically align itself to the environment in order to enhance customer satisfaction. From the findings, the respondents indicated that KEMSA should engage health facilities countrywide with a view of remaining relevant in the new devolution dispensation. The respondents also indicated that KEMSA should revisit its relationship with its customers and stakeholders and segment their needs for service delivery. KEMSA should identify the specific interest, motivation and concerns of these groups of customers and endeavor to deliver on their requirements. The respondents also added that KEMSA should scan the environment continuously to detect any changes and if necessary revise the strategic plan and develop a customer relationship management policy and implement it. Further, the respondents indicated that KEMSA should seek full corporate autonomy, commercialize, capitalize to 2 billion and be focused on client needs.

#### **4.4 Effectiveness of strategic planning practices adopted by KEMSA**

The respondents were further asked to indicate how strategic planning had increased effectiveness of meeting the organization's goals and objectives. From the findings, the respondents indicated that strategic planning at KEMSA has enormously enhanced execution of different activities coherently and in a prioritized manner. The respondents also indicated that the strategic planning has set a bar notch higher for KEMSA to re-look at its Strengths, Weaknesses, Opportunities and Threats in the current operating environment and has helped formulate forward planning. The respondents further indicated that strategic planning has given KEMSA a clearer road map for management to apply in making decisions.

##### **4.4.1 Strategic planning and sustainable competitive position**

The respondents were also requested to indicate how strategic planning led to development of a sustainable competitive position. From the findings, the respondents indicated that KEMSA procures in bulk and at highly discounted prices. Once Commercial Division is operational KEMSA will have a competitive advantage against its competitors leveraging on price due to economies of scale. The Strategic Planning has informed KEMSA that it needs to leverage itself to the fact that there are potential entrants in the medical supply chain. It has brought forth the fact that competition is here with us and our customers now do have an option in the new political dispensation; and that the customers have the buying power and need to be treated with care, and be provided with high service delivery standards. The respondents also indicated that strategic planning help in understanding new and emerging needs from customers. Further, KEMSA has been helped in capitalizing and thus generated some cash reserves. It has helped KEMSA mobilize donor resources which has been used to build capacity with the institution.

##### **4.4.2 Strategic planning practices and shared vision**

The respondents were also requested to indicate the extent to which strategic planning practices led to developing a shared vision for the organization. According to the findings, the strategic Plan document helps all employees to share the vision it carries and better still outlines how to implement it. Strategic planning has facilitated all employees to realize where the organization is heading towards by 2016. This is because the planning was collaborative and inclusive. The common vision developed out of the strategic planning process is "to become a medical logistics service organization of choice. The Strategic Planning practices have shown that all KEMSA

staff need to pull together to achieve the set targets of performance in service delivery. In the strategic planning practices, KEMSA has realigned itself by coming up with new mission, vision and core values. It has embodied the elements of performance management and has developed a scorecard for monitoring and evaluating the same. In addition, the strategic Plan document helps all employees to share the vision it carries and better still outlines how to implement it.

#### **4.4.3 Strategic planning practices and external environment**

The respondents were also requested to indicate how strategic planning practices led to a good fit between the external environment and the internal capabilities. From the findings, the respondents indicated that KEMSA conducted a scan on internal and external environment which facilitated KEMSA to identify opportunities while leveraging on its strengths and working on its weaknesses. The strategic planning practices have helped KEMSA further realize that there are other external factors and players in this service industry they are in. Further, KEMSA has realized the need for Public Private Partnership in order to realize its full potential. Strategic planning formulation is in itself a process of aligning external factors to internal competencies something that has helped KEMSA personnel work most effectively in applying resources to the business core mandate. In addition, strategic planning controls both our internal and external interaction with customers.

#### **4.4.4 Strategic planning and future implications of the current decision**

The respondents were also requested to indicate whether strategic planning assisted managers to consider the future implications of the current decision. According to the findings, the respondents indicated that strategic planning assisted in identifying strategies that require some internal reorganization with a view of ensuring that certain objectives are realized by 2016. A new vision was developed denoting a desirable and achievable future state by 2016. The respondents also indicated that because strategic decisions of today will impact on the outcome of KEMSA's tomorrow existence and because it acts as roadmap from the present to the future.

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

### **5.1 Introduction**

The chapter presents a discussion of the study in relation to the specific objectives of the study, conclusions and recommendations as well as thought suggestions for further investigations. The purpose of this study was to determine the strategic planning practices adopted by KEMSA.

### **5.2 Discussion of the Findings**

Most of the respondents in this study had master's degree in Pharmaceutical Science and business administration. In addition, most of the respondents had been working in their organizations for between 3 and 6 years and hence they had a work experience of between 3 and 6 years. Working in KEMSA gave the staff an opportunity to make contributions in the transformation of KEMSA. In addition, it is both challenging and exciting bearing in mind the mandate of KEMSA and the underlying critical service provision of a medical supply chain in the country.

The staff do not like the factor that not many donors are keen to support infrastructural projects while construction of a custom made warehouse is key to KEMSA. Further the underlying interference and influence from other collaborating Government departments and Agencies when it comes to setting the records straight about the mandate of KEMSA is of great concern to them. Facts to the public about KEMSA's role in medical supply chain are held in abeyance to avoid being seen as criticizing/exposing other Government departments/Agencies failures or system and structures weaknesses which largely exposes the organization to undue criticism.

#### **5.2.1 Strategic Planning practices by KEMSA**

According to Booz (2012) strategic planning is most effective when the following elements are present: First, establishment of a strategic planning committee. This study established that KEMSA identified strategic pillars around which strategic objectives were formulated. Further, since early 2009, KEMSA has embraced the culture of customer oriented practices whose focus is on improved, efficient and high standards in customer service delivery. KEMSA now operates on performance management tenets. It is now operating on a commercially viable basis with the



opening up of a commercial division. The study also found that KEMSA was repositioning itself in line with the new constitution. In addition, the respondents indicated that KEMSA was using legal and regulatory reforms, capitalization, commercialization, policy reforms and corporate culture change.

The study also established that KEMSA's choice was driven by frequent customer complaints and general public malaise about KEMSA past history of poor performance, and the new political dispensation of devolved service provision to the Counties and also the performance contracting introduced by the Government. The study also found that changing environment brought about by new constitution and full implementation of KEMSA mandate was driving their choice of strategies. KEMSA did a SWOT analysis which pointed to areas with strategic gaps.

The study further established that the strategic options had facilitated KEMSA to respond to internal and external changes in the environment. In addition, various strategic options chosen by the KEMSA management has been deliberate and result oriented. A case in point that proves this is the rating of KEMSA performance prior to 2008 as poor to a credible rating of being very good in the subsequent year's to-date. Equally a close working relationship and collaboration with other Government departments/Agencies and the Development Partners has led to KEMSA realizing its mandate in the current operating environment.

KEMSA should align itself and take into consideration the new devolution dispensation especially on the county governance. In addition, KEMSA needs to identify all its key stakeholders and partners and come up with their unique needs analysis for service delivery and equally come up with a roadmap for the future on how it will address the needs of these unique customers and stakeholders. This is evidently very critical with the upcoming devolved county system of governance. The study also established that there should be continuous review and scanning of the environment.

The study established that KEMSA should engage health facilities countrywide with a view of remaining relevant in the new devolution dispensation. The study also found that KEMSA should revisit its relationship with its customers and stakeholders and segment their needs for service delivery. KEMSA should identify the specific interest, motivation and concerns of these

groups of customers and endeavor to deliver on their requirements. In addition, KEMSA should scan the environment continuously to detect any changes and if necessary revise the strategic plan and develop a customer relationship management policy and implement it. Further, KEMSA should seek full corporate autonomy, commercialize, capitalize to 2 billion shillings and be focused on client needs.

### **5.2.2 Effectiveness of strategic planning practices adopted by KEMSA**

As indicated by Dyson and Foster (1980) and Greenley (1983) the effectiveness of the nature of strategic planning in firms, as opposed solely to performance outcomes has been highlighted as a major problem. The study found that strategic planning at KEMSA has enormously enhanced execution of different activities coherently and in a prioritized manner. In addition, strategic planning has set a bar notch higher for KEMSA to re-look at its Strengths, Weaknesses, Opportunities and Threats in the current operating environment and has helped through forward planning. Further, strategic planning has given KEMSA a clearer road map for management to apply in making decisions.

The study revealed that KEMSA procures in bulk and at highly discounted prices and that once Commercial Division was operational KEMSA would have a competitive advantage against its competitors leveraging on price due to economies of scale. The Strategic Planning has informed KEMSA it needs to leverage itself to the fact there are potential entrants in the medical supply chain. It has brought forth the fact that competition is real and customers now do have an option in the new political dispensation; and that the customers have the buying power and need to be treated with care, and be provided with high service delivery standards. Strategic planning help in understanding new and emerging needs from customers. Further, KEMSA has been helped in capitalizing and thus generated some cash reserves. It has helped KEMSA mobilize donor resources which have been used to build capacity within the organization.

The strategic Plan document helps all employees to share the vision it carries and better still outlines how to implement it. In addition, strategic planning has facilitated all employees to realize where the organization is heading towards by 2016. This is because the planning was collaborative and inclusive. The common vision developed out of the strategic planning process is “to become a medical logistics service organization of choice. The Strategic Planning practices

have shown that all KEMSA staff need to pull together to achieve the set targets of performance in service delivery. In the strategic planning practices, KEMSA has realigned itself by coming up with a new mission, vision and core values. It has embodied the elements of performance management and has developed a scorecard for monitoring and evaluation of the same. In addition, the strategic Plan document helps all employees to share the vision it carries and better still outlines how to implement it.

### **5.3 Conclusion**

The study concludes that KEMSA identified strategic pillars around which strategic objectives were formulated. KEMSA has embraced the culture of customer oriented practices whose focus is on improved, efficient and high standards in customer service delivery. In addition, KEMSA now operates on performance management tenets. Further, KEMSA is now operating on commercial viable basis with the opening up of a commercial division. KEMSA was repositioning itself in line with the new constitution. In addition, KEMSA was using legal and regulatory reforms , capitalization, commercialization, policy reforms and corporate culture change. The study also established that KEMSA's choice was driven by frequent customer complaints and general public malaise about KEMSA past history of poor performance, and the new political dispensation of devolved service provision to the Counties and also the performance contract introduced by the Government. The study also found that changing environment brought about by new constitution and full implementation of KEMSA mandate was driving their choice of strategies. KEMSA did a SWOT analysis which pointed to areas with strategic gaps.

The study also concludes that strategic planning at KEMSA has enormously enhanced execution of different activities coherently and in a prioritized manner. In addition, strategic planning has set a bar notch higher for KEMSA to re-look at its Strengths, Weaknesses, Opportunities and Threats in the current operating environment and has helped through forward planning. Further, strategic planning has given KEMSA a clearer road map for management to apply in making decisions. The study revealed that KEMSA procures in bulk and at highly discounted prices and once the Commercial division is operational KEMSA will have a competitive advantage against its competitors leveraging on price due to economies of scale. The Strategic Planning has informed KEMSA it needs to leverage itself to the fact of potential entrants in the medical supply

chain. It has brought forth the fact that competition is real and customers now do have an option in the new political dispensation; and that the customers have the buying power and need to be treated with care, and be provided with high service delivery standards. Strategic planning help in understanding new and emerging needs from customers. Further, KEMSA has been helped in capitalizing and thus generated some cash reserves. It has helped KEMSA mobilize donor resources which have been used to build capacity.

#### **5.4 Recommendations**

The study established that many donors are keen to support infrastructural projects while construction of a custom made warehouse is key to KEMSA. This study therefore recommends that the government of Kenya should fund the construction of custom made warehouses.

The study also found that the underlying interference and influence from other collaborating Government departments and Agencies when it comes to setting the records straight about the mandate of KEMSA. This study therefore recommends that the government of Kenya should set clearly the responsibilities of KEMSA.

The study also established that facts to the public about KEMSA's role in medical supply chain are held in abeyance to avoid being seen as criticizing/exposing other Government departments/Agencies failures or system and structures weaknesses. This study therefore recommends that KEMSA's role in medical supply chain should be clearly communicated to the public.

#### **5.5 Recommendations for further studies**

This study sought to determine the strategic planning practices adopted by KEMSA. This study therefore recommends further studies in the area of the effects of strategic planning practices on the performance of KEMSA. The study further recommends further studies in the area of the effects of donor funds on the performance of KEMSA.

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## APPENDICES

### **Appendix: Interview Guide**

The following sections provide sample questions to be used in evaluating strategic planning practices adapted by KEMSA in countering changes in operating environment.

#### **Part A: Educational background**

1. What is the highest level of education you have received?
2. How long have you worked in this organization?
3. What do/did you like best about the position/s you have held?
4. What do/did you like least about the positions you have held?

#### **Part b: Strategic Planning practices by KEMSA**

1. What strategic practices has KEMSA used to counter the Changes in operating environment?
2. What drove you to the choice of the strategic practices?
3. Were the strategies adopted by the organization reactive or proactive?
4. How important has the various strategic options been to your organization in response to changes in the changes in operating environment?
5. Were all employees representatives involved in formulating the strategies to be implemented?
6. What else do you feel that KEMSA should do to stay focused to the external and internal environment?
7. In your view, what actions should KEMSA take to strategically align itself to the environment in order to enhance customer satisfaction?

#### **Part D: Effectiveness of strategic planning practices adopted by KEMSA**

1. How has strategic planning increased effectiveness of meeting the organization's goals and objectives?

2. How has strategic planning led to developing a sustainable competitive position?
3. To what extent has strategic planning practices led to developing a shared vision for the organization?
4. How have strategic planning practices led to a good fit between the external environment and the internal capabilities?
5. Has strategic planning assisted managers to consider the future implications of the current decisions?