CHALLENGES OF STRATEGY IMPLEMENTATION

AT THE MINISTRY OF FINANCE IN KENYA

BY

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DECLARATION

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

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DEDICATION

This presentation is dedicated to my wife **LYNN AKOTH ATENG;** my Children **JEREMY** and **JASMINE ATENG**.

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ABBREVIATIONS

CEO	Chief Executive Officer
DGIPE	Department of Government Investment and Public Enterprise
DPM	Directorate of Personnel Management
ERS	Economic Review Strategy
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
GCA	Government Clearing Agency
GDP	Gross Domestic Programme
HOD	Head of Department
HSEQ	Health Safety Environment and Quality
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IT	Information Technology
M & E	Monitoring and Evaluation
MFI	Micro Finance Institution
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
PRSP	Poverty Reduction Strategy Paper
SACCOs	Savings and Credit Cooperative Societies
SAP	Structural Adjustment Programme
U.K.	United Kingdom

ABSTRACT

Strategic thinking can be divided into two segments; strategy formulation and strategy implementation. Implementation of strategy being the second phase of strategic management makes it a crucial stage in strategy management process as it unites organisation behind strategy and ensures that activities are done in a manner that tightly matches requirement for first rate strategy implementation. However implementation of strategy cannot take effect until they take the shape in action like day to day processes and relationships that exists in organisations.

This research project sought to determine the challenges faced by the Ministry of Finance in their Strategic plan implementation and it also sought to establish how the Ministry of Finance deals with the challenges in the implementation of the strategic plan.

To achieve the stated objectives a case study research design was used and primary data was collected in September 2007, Interview guide was administered by interviewing on 2 secretaries and five heads of departments.

The respondents were office of Financial Secretary through Head of Central Planning Unit and Permanent Secretary through Director of

Administration. The five Heads of Departments all responded making a total of 7 respondents representing 100% response rate.

Content analysis was used to analyse the data which confirmed the challenges faced by Ministry of Finance in their Strategic plan implementation and organizational structure, communication culture and resource mobilization.

Lack of scheme of service seemed to have been the most challenging factor for Ministry of Finance Strategic Plan Implementation. Communication also was found to be a major challenge since the Ministry does not have communication policy as well as lack of reward policy together with disparity in remuneration.

While the Ministry has dealt with the challenges by preparing proposed Scheme of Service which have not been approved on the method the scheme has not addressed disparities on the other hand, the scheme in remunerations properly.

There is need for more to be done on Scheme of Service and its impact on strategy implementation in public sector especially Ministry of Finance to validate this research.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Strategy is the determination of the basic goals and objectives of an enterprise, the adoption of the courses of action and allocation of resources necessary to carry out the goals. It is a blueprint of actions to be done in an organisation arising out of the need to achieve certain organisational goals. Strategy has two main phases i.e. formulation and strategy implementation. At the formulation stage, the basic goals to be achieved are set out. Strategy implementation, however, is the process by which the strategy is realised by applying what was formulated.

Implementation of strategy is important to any organisation as it unites the organisation behind strategy, sees that activities are done in a manner that tightly matches requirements for first-rate strategy execution, it also generates such determined commitment at all organisational levels that an enthusiastic crusade emerges to carry out strategy and it creates a series of strategy supportive 'fits'. Raps (2005) says that on an average the success rate of strategy implementation ranges between 10% and 30%. The reasons for these failures may be identified as unfeasibility of the strategy, weak management, lack of communication, lacking commitment to the strategy, unawareness or a misunderstanding of strategy, unaligned organisational systems and resources, poor co-ordination, uncontrollable environmental factors and negligence of daily business. It is evidently clear from the above discussion that for an organisation to be successful it will need strategies. But these strategies are only as good as they are implemented.

According to Johnson, Scholes and Whittington (2005) if strategic action is to be in line with intended strategy; such action takes form in the day to day processes and relationship that exists in organisations. This means that thoughts need to be given to the way an organisation is designed in terms of its structure and in terms of how people might work with each other in more informal relationships. It is important that company energies and efforts flow in the direction of strategy execution. The more this is the case, the more that strategy implementation stays on track.

1.1.1 Strategy Implementation Challenges

Although strategy implementation is viewed as an integral part of strategic management process, little has been written or researched on it (Awino, 2001). Indeed, strategies cannot take effect until they take the shape in action. Such actions take the form of the day-to-day processes and relationships that exists in organisations. However, in the process of implementation of strategy, certain challenges are faced. Several writers, including David(1997), Pierce and Robinson(2001),Thompson and Strickland(2001), Johnson and Scholes(2002), have identified these challenges as, amount of strategic communication from top to bottom, competing activities that destruct attention from implementing decisions, changes of responsibility for key employees not clearly defined, key formulators of strategic decisions not playing active role in implementation, problems requiring management involvement not communicated early enough, key implementation tasks and activities not sufficiently defined, resource allocation, matching structures with strategies, linking performance and pay to strategies.

By properly addressing the above challenges it is expected that the strategic plans will be successfully implemented. However, these challenges may pose bigger problems for the public sector and the government departments and ministries given the nature of wide ranging stakeholders' needs which must be addressed by the ministries.

1.1.2 Ministry of Finance – Kenya

The Government of Kenya (GOK) is comprised of various ministries. Each of these Ministries has its own roles that it plays as stipulated in constitution of Kenya. The Ministry of Finance is one of the key Ministries of the Government of Kenya that is charged with the general economic management.

The Ministry of Finance derives its mandate from the constitution of Kenya, Cap V11 Section 99-103 which provides for proper budgetary and expenditure management of government financial resources. The main objectives of the Ministry include formulating financial and economic policies, developing and maintaining sound fiscal and monetary policies and the management of revenues, expenditures and borrowings by the government. In order to help the Ministry achieve these objectives, the Ministry is divided into fourteen major departments. These departments are procurement, government clearing agent, internal audit, insurance, investment and public enterprise, economic affairs, pensions, debt management, monopolies and prices commission, accountant general, information technology, external resource department, fiscal and monetary affairs and budgetary supplies (www.treasury.com).

The economic development of Kenya has experienced a number of cycles of growth followed by downturns and stagnation. Immediately after independence between 1964 and 1971 the country registered a GDP growth averaging 6.5%. Such growths were later to be experienced in the 1980s at rate of 5% of GDP.

Starting in the mid 1980s the government abandoned the old paradigm which upheld the centrality of state planning and management of economic development, of allocating resources and producing goods and services for public and private consumption due to stagnation. The changes from a controlled economy to a market economy popularly known as liberalization or Structural Adjustment Programme (SAP), changed the role of government to regulatory rather than involvement in business of public enterprises for example civil service rationalization. Perhaps one of the ministries that has been most affected by government policy changes undertaken in the last two decades is that of Finance. As stated in its Ministries Rationalization and Rightsizing Report of 2000, liberalization of the economy removed many functions from the direct management of the Ministry and redirected them mainly to the private sector. (Government of Kenya, Ministry of Finance Rationalization and Rightsizing Report, 2000)

The Structural Adjustment Programme (SAPs) sought to minimize and ultimately eliminate distortions in the economy, which often prevented efficient allocation of resources. The programme aimed at mobilizing resources to stimulate growth and development through positive supply responses, and included reforms to liberalize the money market: control public expenditure, give priority in resource allocation towards reduction of poverty, trade liberalization through abolishing licenses, liberalization of agricultural prices and marketing, deregulation of prices, improvement of financial sector policy and improving efficiency of the public sector enterprises.

The 1990s was especially challenging to the Ministry. The demand for public services surpassed the resources to support their delivery. There emerged a budget deficit that grew over time. The government resorted to domestic borrowing. This had effects on the interest rates which sky rocketed affecting the overall economic performance. The issue of non-performing loans exploded and some banking operations were severely affected. The government was unable to service its external debt, which had increased substantially. During the same period, public enterprises were performing poorly, thus requiring support from the government.

To address these problems, a number of reforms were introduced. They were public finance management reforms, which are expected to streamline government revenue collections and expenditures. The financial sector is being reformed to enhance mobilization of resource for investment. The public enterprises reforms, which include privatisation, are targeting public enterprises to enhance their performance. The Ministry is expected to provide strategic leadership to these reforms.

There was also need for change in approach by the government on governance in general. Focus changed to strategic management to enhance the achievement of broad government objectives. The result is the various strategy papers which have since been developed by the

Ministry of Planning. Such papers as the Poverty Reduction Strategy paper (PRSP) and the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) of 2003-2007, outline a number of policy priorities that the Ministry is required to pursue.

The Ministry, for instance, is required to maintain revenue at 21 per cent of GDP. Additionally it is expected to restructure expenditure to be growth-oriented and pro-poor. The Ministry is also expected to reduce deficit financing and maintain a monetary policy consistent with low inflation without compromising the recovery efforts. These policy priorities demonstrate the challenges posed by a changing environment. It is expected that the Ministry will respond to such changes as and when they occur.

These broad objectives from the PRSP and ERSWEC made it necessary for the ministry to re-strategies and came up with its own Strategic Plan 2004/5-2006/7 which is ongoing. However this study stems from the fact that strategic implementation is likely to be faced with various challenges. Various studies done in Kenya reveal that, a number of factors affect strategy implementation. According to Nyandiere(2002), Koske(2003),Waruhiu(2004), Mumbua(2004), Machuki(2005), the challenges ranged from unsupportive culture, lack of good leadership, matching structures to plan, lack of adequate resources, unsupportive communication system, and implementation taking more time than originally allocated. These studies took place in both the private and public sectors. However, no evidence of research done was found in the Ministry of Finance probably because strategic management is a relatively new phenomenon in the Ministry. In fact until the formulation of the current strategic plan the Ministry did not have any in place. It is this lack of studies on this subject in the ministry that is the basis of this study. It seeks to fill the knowledge gap on the challenges that may be faced in implementation of the current strategic plan.

1.2 Statement of the Problem

Strategy involves formulation and implementation. But good strategies are only as good as they are successfully implemented. Experience has shown that good strategies have been written but very little has been achieved in their implementation. Examples are such strategies as the Turkwel gorge project, Nyayo pioneer car, and in the most recent times, the Millennium Development Goals which have all well been documented but their implementation were never as successful. The failure of these strategies may be attributed to a number of challenges which may not have been addressed adequately at the implementation stage. Common challenges in implementation include; unsupportive organisational structure and culture, resistance to change, implementation taking too long than anticipated, unsupportive processes and procedures, uncontrollable factors in the environment, major obstacles surfacing during implementation that were not anticipated beforehand, inadequate resources, inadequate training of staff and supporters of strategic decision leaving the organisation during implementation. These challenges may be as a result of a number of factors such as lack of management goodwill, lack of adequate resources, middle managers not involved in formulation hence do not understand it.

The Ministry of Finance has developed its own strategic plan 2004/5-2006/7, which is on-going. This is the first strategic plan in the Ministry. But it may be faced by various challenges in its implementation especially because it is a new development in the ministry. These challenges may be more complex for the Ministry due to the many stakeholders that expect it to respond to their needs. They include political stakeholders, social stakeholders and the economic environment in general. Further, the high profile nature of the Ministry as a source of funding for activities which are critical to the economy may be a factor that poses challenges to the successful strategic implementation. The challenges may be unique to the ministry, or could be similar to those identified in previous studies.

Various studies done in Kenya by Nyandiere (2002), Koske (2003), Waruhiu (2004), Machuki (2005), identified the challenges ranging from unsupportive culture, lack of good leadership, matching structures to plan, lack of adequate resources, unsupportive communication system, and implementation taking more time than originally allocated.

The only study among these on the Kenya public sector was by Koske (2003) done at Telkom Kenya. So far, there is no evidence of a study carried out on this subject in the Ministry of Finance. It is this gap that is the motivation for undertaking this research work.

This study has two research questions it seeks to answer:-

(i) Has the Ministry of Finance faced any challenges in the implementation of the strategic plan 2004/5-2006/7; and

(ii) What intervention measures has the Ministry put in place to deal with these challenges?

1.3 Objective of the Study

This study has two objectives:-

(i) To determine the challenges faced by the Ministry of Finance in their strategic plan implementation; and

(ii) To establish how the ministry of finance deals with the challenges faced in the implementation of the strategic plan.

1.4 Significance of the Research

The results from this study will be invaluable to a number of stakeholders.

The Ministry of Finance or other public institutions may find the study valuable as it will give them a better perspective of how they can implement their strategies successfully.

To the other researchers, it may be a valuable platform for future researches especially in trying to bridge the gap between formulation and implementation.

CHAPTER 2: LITERATURE REVIEW

2.1 The Concept of Strategy

Strategy may be said to denote a general programme of action and deployment of emphasis and resources to attain comprehensive objectives. Different scholars gave various definitions. This can be traced from Chandler (1962) who defined strategy as determination of the basic goals and objectives of an enterprise, the adoption of the courses of action and allocation of resources necessary to carry out these goals. Andrews (1965) defined strategies as pattern of objectives, purposes or goals and major policies and plans for achieving these goals, stated in a way to define what business the company is in and the kind of company it is to be. Mintzberg (1978) also described strategy as a plan, ploy, pattern, position and perspective. Strategies, as such may be said to be types of plans, which have certain objectives to be achieved. It may include methods and procedures of doing or performing activities to reach the desired goals.

Ansoff (1990) defined strategy as a set of decisions making rules for guidance of organisational behaviour. According to De Witt and Meyer (1994) Strategy embraces all the critical activities of a firm, it provides sense of unity, direction, purpose and facilitating necessary changes induced by environment. De Witt and Meyer recognise strategy as an activity that must take place within the limits of an enterprise financial and other resources.

Recent writers have also given various definition of strategy. Thompson and Strickland (2001) defined strategy as the game plan management is using to stake out market position, conduct its operation, attract and please customers then compete successfully in order to achieve organisational objectives. According to Johnson and Scholes (2002), strategy is the process that matches resources and activities of organisations to the environment in which it operates.

In summary, strategy may be defined as a blue print of activities to be done in an organisation arising out of the need to achieve certain organisational objectives.

2.2 Strategic Management

The nature of strategy is formulation and implementation. It is a lively process by which organisations identify failure, opportunities and portrays struggles over the realisation of ideas. Through strategies, management commits to pursue a particular set of actions.

Harvey (1988) defined strategic management as a process of formulating and evaluating business strategies to achieve future objectives. Thomson and Strickland (2001) states that it is a managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and then over time initiating whatever corrective adjustment in the vision, objectives, strategy and execution are deemed appropriate. Thus, strategic management has two phases namely; planning and implementation.

Planning is the exercise by which organizations determine what they want to achieve and how they would achieve it. Chandler (1962) defined strategic planning as determining the basic long-term objectives and the adoption of courses of action and the allocation of resources necessary for carrying out those goals. Pearce and Robinson (2006) say that strategic planning examines the types of long-range objectives and specify the quality of objectives and must provide basis for direction and evaluation.

Pearce and Robinson (2006) summarizes it beautifully that it is what a company does and how it actually positions itself commercially and conducts its competitive battles. Thus, it involves choosing how best to respond to the circumstances of a dynamic and some times hostile environment.

Implementation is the second part of strategic management. Mintzberg (1978) defined strategy implementation as carrying out predetermined strategic plans. De Witt and Meyer (1994) outlined strategy implementation as the process by which strategies and policies are put into action through development of programs, budgets and procedures. The above writers built their definition around the process of implementation of strategies.

Subsequent writers like David (2001) states that, strategy implementation is an activity which focuses on efficiency in organisations. It is an operational process that requires special motivation and leadership skills; it requires good coordination among few individuals and managing forces during action. Thompson and Strickland (2001) stress that strategy implementation entails converting organisation strategic plan into action then into results. In implementing the strategies the organisations are constantly faced with challenges in their environment and they overcome them in the process. Pierce and Robinson (2005) reinforce this view. They say that implementation involves translating strategic thoughts into action.

Eventually there is a good agreement that strategy implementation is the means by which strategies are realised. Various implementation factors such as leadership, communication, culture, structures and control systems are put in place at this point.

Implementation of strategy involves a series of activities. These activities or components vary depending on the various authors. Thompson and Strickland (2001) outline principal tasks of strategy implementation to include; building a capable organization, allocating ample resources to strategy critical activities, establishing strategy supportive policies and procedures, instituting best practices and mechanisms for continuous improvement, relying on middle or lower level managers to get things done, installing support systems enabling personnel to carry out their strategic role successfully, tying rewards and incentives tightly to achievement of key objectives, creating a strategy supportive culture and exerting strategic leadership.

According to Pierce and Robinson (2005), strategy implementation involves translating strategies into guidelines for daily operations of firm's members, aligning strategy with the firm to become one i.e. firm's values, beliefs and tone, and in implementing the strategy, the firm's managers must direct and control actions and outcomes, and adjust to change. Pierce and Robinson (2005) identify the main elements of strategy implementation as strategy guidelines, adjusting structures to be conducive to implementation of strategy and putting control measures in place to ensure compliance. They summarise these elements into three main components namely; the structure, leadership provided by Chief Executive Officer and key managers and the fit between strategy and firm's culture

David (2005) gave strategy implementation in a management perspective. According to him strategy implementation involves establishing annual objectives devising policies, allocating resources, alerting an existing organisational structure restructuring and re-engineering, revising reward and incentive plan, minimising resistance to change, matching managers with strategies, developing a strategy supportive culture, adapting productive/operation processes, developing an effective human resource function and downsizing if necessary. The discussion has looked at strategic formulation and implementation as two unrelated activities in strategic management and that one supersedes the other. However there is a new thinking to this effect. The current opinion of most writers and managers is such that strategic planning and implementation must not be viewed as separate phases of strategy management but rather as complimentary aspects is managing strategy successfully. Okumus (2003) reviewed various works and opinions on implementation of strategies with a view to coming up with one generally accepted framework to strategy implementation. His idea was that strategic management should be looked at holistically so that the two facets of strategy formulation and implementation are not seen as separate processes for different people/levels within the organisation. According to him, the implementation model should neither be linear and prescriptive, nor are strategy formulation and implementation different phases of a strategy. This is because, he says, implementation is far too complex to be examined by prescriptive linear models. He says that in order to understand implementation issues and make the right choices, it is essential that researchers and practising managers should place themselves in a position where they can make informed judgements about the process of strategy implementation, rather than following ready made solution. To be able to do this, Okumus says that managers and researchers are to employ a holistic approach to viewing the formulation and implementation of strategy and then evaluate how the implementation factors interact with each other and how they impact on the process.

2.3 Communication in Strategy Implementation

Communication is the flow of information within the organisation. It helps ensure that goals are understood, instructions are disseminated and feedback from various units and personnel received. Communication therefore is an important area of implementation for which various researches have been done. One such study was done by Ikavalko and Aaltonen (2002) on middle managers role in strategy implementation.

They came up with the conclusion that one major reason for failure in strategy implementation is lack of communication from the top management. They advocated involvement of the strategic (implementing) managers in the planning process to ensure a greater degree of implementation of strategy successfully.

Corporate communication was also the basis of Forman and Agenti (2005) study when they reviewed its contribution and influence in implementation, reputation and corporate brand. The research took place in five firms and the results revealed that whenever strong corporate communication existed employees understood what they were required to do leading to better results. Forman and Argenti were able to link the success story of the five firms- Accenture, Dell, FedEx, Johnson and Johnson and Sears- to excellent communication systems. They listed the following as the best practices in corporate communication and which existed in the five firms as follows; (i) a close alignment between the corporate communication function and the implementation of strategy, (ii) the Chief Executive Officer as the best reputing structure for the corporate communication function, (iii) a focus on corporate brand and reputation, (iv) the importance of internal communication, (v) the use of information technology to enhance communication and (vi) corporate communication as the art and science.

A study done by James Schaap (2006) also underlined the importance of communication as implementation component. The study done in the Nevada Gaming Industry sought to find out the relationship between strategy implementation success and role of senior-level leaders. One of the challenges identified as a possible influence on success was communication. To help in the study, Schaap (2006) had one of his hypotheses as "employees who understand and agree with company's strategic plan will most likely have a higher commitment to the firm's success than employees who do not know or agree with it." The study concluded that organisations that had better communications mechanisms were far more successful than those that did not have. The successful leadership, he said, largely depended on the frequency, depth and communication support exhibited by the seniors to the juniors. As such, the study identified communication as a major challenge in successful strategy implementation.

From the above discussion it is quite clear that communication is a major tool for the implementation of strategies. To use Raps (2004) words, communication should cover the reasons employees are performing new requirements, tasks and activities because of the strategic implementation.

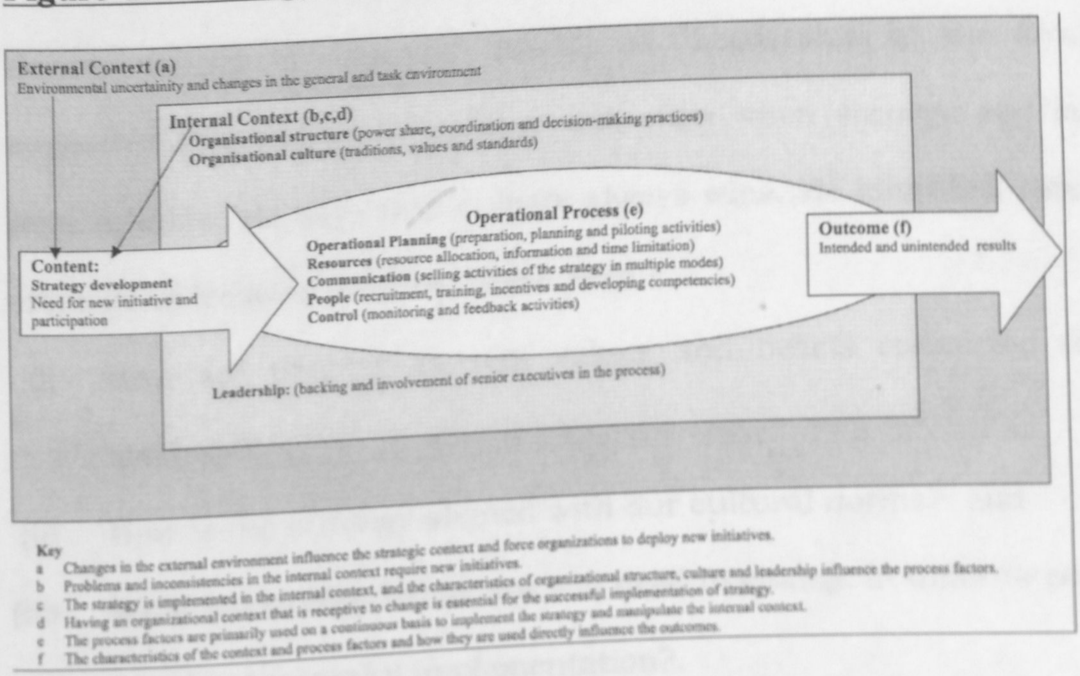
2.4 Structure and Strategy Implementation

Organisational structure may be defined as the framework of roles and reporting to relationships vertically and horizontally within an organisation. It is a very important aspect that helps in smooth flow of work and ensures unity of direction and purpose. Kumar et al (2003), reviewed the operation of oil and gas industry in Norway in which their aim was to come up with model (structures) that ensured effective and efficient strategy implementation in their work, they examined and analysed two different strategies within Norway Oil and Gas Industry.

Kumar et al (2003), identified certain factors as stated by the respondents which were responsible for the success of strategy implementation as factors related within and between management and personnel i.e. culture and company, communication, trust and dialogue, openness and commitment, level of turnover of personnel and age combination of personnel, management and performance related factors i.e. management philosophy, mutual understanding, alignment of objects, focus on performance and health, safety, environment and quality (HSEQ mindset); and external factors i.e. (government regulations and policies and prices). They combined these factors and came up with a model of strategy implementation.

Okumus (2003), attempted also to come up with a workable structure that would increase success of strategy implementation. According to him, the answer to successful implementation lay in coming up with a model that is all-inclusive. The model should be viewing formulation and implementation of strategy as one and not different processes, ensuring that the implementing manager and personnel are part and parcel of the formulation process. Through this, adequate measures for control and corrective actions can be put in place. He came up with a model which is reproduced below.

Figure 1: Strategy Implementation Framework



Source: Okumus Fevzi (2003), *strategy implementation framework*), *"A framework to implement strategies in organisations"*

The diagram above shows the interaction between the various implementation factors i.e. the external and internal environment.

Okumus explains that the framework can be used in retrospective analysis of past, current and future cases of strategy implementation.

2.5 Strategy Implementation and Culture

Culture may be defined as a system of shared beliefs, values and norms. Each organization has its own corporate culture either by design or coincidence. Positive corporate cultural practices within an organization have positive impact on employee performance.

Earlier writing by Beaudan (2001) on "Leadership of the strategy", suggested that failure of strategy was often when strategy and culture were at odds. He says that culture always wins. He identified three key areas in addressing culture. These were:-

(i) How are peoples' current values and beliefs connected to this strategy?;

(ii) How is the strategy aligned with our cultural norms?; and

(iii) What leadership behaviour will need to change in order to pave the way for successful implementation?.

Raps (2005), in his study, "strategy implementation- an insurmountable obstacle?" identified culture as a major component that influences strategy success. He used Colza Pharmaceuticals as a case study on implementation and sought to identify why there was considerable success of implementation at the organisation. His research was informed by two documented facts, that implementation success rate is as low as between 10% and 30% of intended strategy; and most managers spent more time on formulation, making implementation to come only as an after thought.

Based on these facts, he carried out a research, and the results were such that one of the reasons attributed to success so far at Colza was culture. Raps (2005) says, "corporate culture creates, and in turn, is created by the quality of the environment; consequently, culture determines the extent of cooperation, degree of dedication and depth of strategic thinking within an organization". In this regard Raps (2005) says motivation of employees is very important as it determines the potential and force for a significant change within the corporation systems.

2.6 Challenges of Strategy Implementation

The implementation of a strategy has an enormous impact on an organization's overall success. A formulated strategy can only generate an added value for the organization if it is successfully implemented. However, implementation of strategies has always been known to face various challenges.

Researches on challenges of strategy implementation, has been done by a number of scholars. Raps (2005), for example, while writing on strategy implementation, outlined ten-point checklist. These were; commitment of top management, involve middle manager's valuable knowledge, need for communication, integrative point of view, clear assignment of responsibilities, preventive measures against change barriers, emphasize teamwork activities, respect the individual's different characters, take advantage of supportive implementation instruments, and calculate buffer time for unexpected incidents.

While discussing the above, he points out that the most important thing when implementing a strategy is the top most management's commitment to strategic direction itself. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes a positive signal for all the affected organizational members.

Raps (2005) again points out that the middle managers should be involved in formulation of the strategy. By ensuring that these managers are a part of the process, their motivation towards the project will increase and they will see themselves as an important part in the process. As such to increase implementation success these managers should be included in the formulation process.

Effective communication framework has also been identified as a key implementation challenge. Experience has shown that communicating to employees issues related to the strategy implementation frequently delayed until the changes have already crystallised and that to deal with this critical situation, an integrated communication plan must be developed. Such a plan he says is an effective vehicle for focusing the employee's attention on the value of the selected strategy to be implemented.

Raps (2005) say that often a challenge imposed on implementation is that it is rarely integrative. He says that there is over- emphasis on the structural aspects and reduce the whole effort down to the organisational exercise. It is, thus, dangerous to ignore the other existing components.

He identified clear assignment of responsibilities was also another challenge. According to him responsibilities are never quite clearly stated. In addition, these responsibilities are diffused through numerous organizational units. Cross-functional relations are representative of an implementation effort. This is a challenge because generally most organisational members tend to think only in their "own" department structure. Over- bureaucracy may also be experienced thus ending up in a disaster for the whole implementation.

Change barriers have also been identified as a major challenge. Raps say that it is a great challenge within strategy implementation on how to deal with potential barriers of the affected managers. It is therefore necessary that in the process of formulation that barrier are identified and properly analysed to identify their potential impact without underestimating any.

Teamwork plays an important role within the process of strategy implementation. However, the challenge is on how to develop it. Differences in personality must be adequately addressed to remove serious inconsistencies on how strategies are understood and acted on.

Respect amongst individual may be a major challenge. Raps says that firstly, consideration regarding people have to be integrated into strategic implementation, and secondly, the individual behaviour of these persons is to be taken into account. He says that personality differences often determines and influence implementation. Thus for the purpose of implementation it is desirable to create a fit between the intended strategy and the specific personality profile of the implementation key players.

Other challenges that he identified are taking advantage of supportive implementation instruments and the time allowance for unexpected incidents. Two implementation instruments are the balanced scorecard and supportive software solutions. They enhance the implementation success rate. Also noted is the tendency for implementation to go beyond the time restrictions. This, it is suggested, is attributable to an underestimation on the part of many executives who do not have a clearly focused view on the complexities involved in implementing strategies and on the general process to deal with these multifaceted complexities.

Forman and Argenti (2005) also identified key success factors which have always posed a challenge to organizations. They outline the elements as alignment between function and strategy implementation, C.E.O. as best reporting structure, focus on brand reputation, importance of internal communication, innovative uses of information technology and the function as an art and science.

The above studies have identified problem areas similar to, or related with, those earlier challenges listed in 1991 from a survey of 93 Fortune 500 United States firms (Schaap 2006, quoting Alexander, 1991). The challenges were that; implementation took more time than originally planned, unanticipated major problem arise, activities were ineffectively coordinated, competing activities and crises took attention away from implementation, the involved employees had insufficient capabilities to perform their jobs, lower-level employees were inadequately trained, uncontrollable external environmental factors created problems, departmental managers provided inadequate leadership and direction, key implementation tasks and activities were poorly defined and the information system inadequately monitored activities.

Speculand (2006) while writing on strategy implementation also identified the same challenges as above. However, he went a step further and came up with a rank of the top challenges faced in implementation in order of the most challenging task at the top to the least challenging exercise at the bottom. The ranking is reproduced in the table below.

Table 1: Top challenges Faced in Implementing Strategy

Ranking	Challenge
1	Gaining support and action
2	Communicating the change
3	Overcoming resistance from staff
4	Support of senior management
5	Aligning processes
6	Tracking success of implementation
7	Changing rewards and recognitions

8	Acquiring customer feedback
9	Implementing new technology
10	Acquiring budget

Source: Robin Speculand, *Human Resource Management International Digest, 2006*

In Kenya a number of scholars have done research on challenges of strategy implementation in both private and public sector. They include Nyandiere (2002), Koske (2003), Mumbua (2004), Machuki (2005). The scholars identified the following challenges in strategy implementations; unsupportive organisational structure and culture, resistance to change, implementation taking too long that anticipated, unsupportive processes and procedures, uncontrollable factors in the environment, major obstacles surfacing during implementation that were not anticipated beforehand, inadequate resources, inadequate training of staff and advocates and supporters of strategic decision leaving the organisation during implementation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was a case study. It was done in the ministry of finance to identify the various challenges that are faced in the process of implementation of strategy. The design was suitable for this work because it allowed an in depth study of the subject of challenges in strategy implementation. Similar research done in Kenya by Koske (2003) at Telkom Kenya proved it to be a reliable design for studies within the public sector.

3.2 Data Collection

Primary data was collected by the use of a comprehensive interview guide addressing different issues on challenges to implementation including annual objectives, policies, resource allocation, matching strategy with structure, culture and support systems. A total of 7 people in the Ministry of finance were interviewed using the interview guide.

Two secretaries of the Ministry were included in the study. The Financial Secretary, who is the Accounting Officer of the Ministry of Finance and the Economic Secretary who is charged with formulation of economic policies to give information on policy issues such as structures supportive of strategy. Another guide was administered on the five heads of major departments (technical staff) with emphasis on operational issues such as communication and strategy supportive systems. Accompanying the guide was an introductory letter which was hand delivered.

3.3 Data Analysis

Content analysis was used in the analysis of this data. This approach allows meaning to be extracted from information collected and relate them to the core areas of the study. It also takes cognisance of the secondary data. The method was appropriate because most of the information collected was qualitative which means it required analytical understanding of the data.

Similar approach was used by Machuki (2005) when carrying out research on challenges to strategy implementation at CMC Motors Group Limited. The content of the data collected was examined critically to help in drawing conclusions. These conclusions were generalisations on the subject of study and drew heavily from information on challenges of strategic implementation in Ministry of Finance.

CHAPTER IV: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents primary data findings of the study. The study was done by use of detailed interview guides. The total number of persons interviewed was seven; two secretaries and five heads of departments representing a response rate of 100%. The major departments of the Ministry of Finance that were selected for study were Economic Affairs department, Debt Management department, department of Government Investment and Public Enterprises, External Resources department, Government Information Technology department, Budgetary Supplies department, the Financial Secretary's office and the Director of Administration.(see appendix- organogram for Ministry of Finance).

The study had two main objectives; firstly, to determine the challenges faced by the Ministry of Finance in their strategic plan implementation, and secondly, to establish how the Ministry of Finance deals with the challenges faced in the implementation of the strategic plan.

The presentation of the data starts with the discussion of the ministry of finance's strategic plan, its objectives, and then an analysis of the challenges faced in implementation factors of culture, structure, communication and resources. The strategy adopted by the Ministries to deal with the challenges identified and it concludes by presenting discussion on findings.

4.2 Strategic Outlook

The Ministry of Finance derives its mandate from the constitution of Kenya, Cap V11 Section 99-103 that provides for proper budgetary and expenditure management of government financial resources. The main objectives of the Ministry include formulating financial and economic policies, developing and maintaining sound fiscal and monetary policies and the management of revenues, expenditures and borrowings by the government.

Towards the attainment of these objectives, and because of the changing environment under which they operate, it came up with a Strategic Plan. The main objectives of this strategic Plan 2004/5-2006/7, which is ongoing, were:-

Improving mobilization, allocation and management of government financial resources was aimed at ;- broadening the tax base to capture all eligible tax payers , strengthening tax administration and collection of other revenues, improving external aid planning and management , strengthening national debt management, strengthening debt markets, promoting transparency and efficiency in privatization of public enterprises, ensuring efficient and professional management of public enterprises, deepening the MTEF process in all Ministry/Departments, strengthening public expenditure management, creating national asset management unit to safeguard government property and assets, and strengthening public procurement system.

To provide efficient leadership and supervision to financial sector the objective was to enhance stability in banking sector, promoting micro finance institutions and savings and credit co-operative societies, enhancing the performance of capital market authority, facilitate growth and stability of the retirement and pension industry, Enhance stability and growth in the insurance industry.

To promote and sustain fair competition and protection of consumers and enhancing competitive advantage of the country, the Ministry aimed at reviewing the laws relating to competition and consumers protection, restructuring of tax regime to give incentives to exporters and to improve accessibility to credit.

To optimize utilization information communication technology in all government ministries and departments including Ministry of Finance by formulating a national ICT policy and strategy, having legal framework governing the electronic communication as a trading tool and address fraud and crime(e-commerce) promoting e-government, develop capacity to efficiently utilize ICT and to improve communication, enhance communication process and systems.

To improve the quality of service provided to government Ministries/Department and the public by improving services provided by pension department, accountant general department, external resource department, government information technology service department internal auditor department and optimal utilization of GCA services.

To create an enabling environment for development partners and private sector to operate effectively by improving transparency and accountability promoting effective strategic alliances with private sector.

To enhance capacity for effective leadership and management of change by strengthening the top management to engage in change management, human resource planning and development, achieve optimal acquisition, allocation and efficient utilization of equipment and other facilities, deliberately and positively respond to HIV AIDS pandemic, by strengthening capacity to create awareness and support behaviour change, Collect information on impact on HIV AIDS in the entire Ministry.

To promote ethics, integrity and reduce corruption by promoting ethics, integrity and anti-corruption laws, and institutionalize monitoring and evaluation by mainstreaming monitoring and evaluation.

Give the four identified Semi Autonomous Government Agency status to strengthen the ministry structure and optimize on staffing levels e.g.

pensions, monopolies and price commission insurance and Government Clearing Agencies (strategic plan 2004/5 2006/7 pg 36-47)

In order to achieve these objectives effectively, each department within the Ministry was assigned certain objectives. A review of objectives of key departments within the ministry is done in the sub-topics that follow.

4.2.1 Economic Affairs Department

It is a key department within the Ministry, its mandate are to develop and manage Fiscal and monetary policies in collaboration with Central Bank and Kenya Revenue Authority, prepares revenue estimates for national budget, responsible for preparation of finance bill, financial statements and economic policy guidelines, deals with tax policy (international, regional and national) and regulation financial sector institutions.

Based on the above functions of the department, the strategic plan identifies the following objectives for the department. Firstly, it is mandated to improve mobilization, allocation and management of government resources. To achieve these, the Economic Affairs Department has put in place plans such as broadening the tax base to capture all eligible taxpayers including the informal sector, strengthening tax administration and revenue collection.

Secondly, it is required to provide effective leadership and supervision to financial sector. In doing this, the department seeks to enhance stability in the banking sector. Already there has been the proposed Banking Act and Central Bank of Kenya Amendment Bill 2004 awaiting implementation. The amendment of Central Bank of Kenya Act to introduce DUPLUM rule whose role is to safeguard interest charges of borrowers, introduce neutral instrument to replace the Treasury Bill rate as benchmark Interest rate and amending penal code to make issue of bouncing cheque an offence are the main strategies in achieving the objectives.

Thirdly, the plan requires the department to promote Micro Finance Institutions (MFIs) and Savings and Credit Cooperative Societies (SACCOs). It has adopted a plan of encouraging and promoting MFIs and SACCOs by creating a favourable environment for their operations and setting regulatory framework. There is a plan for speeding up Act of Parliament for second tier Banking.

4.2.2 External Resources Department

The department derives its mandate directly from External Loans and Credit Act, Cap 422. It is mandated to secure external resources for approved government programmes and projects to further national development goals, ensures prudent management and utilization of external resources and, coordinates bilateral and multilateral technical support through desk officers.

The department adopted a number of plans to help it achieve its mandate that are crucial for the successful implementation of the strategic plan. One of the main objectives the department has been mandated with in the strategic plan 2004/5- 2006/7 was to improve external aid planning and management. Towards this it has developed External Aid Policy framework to ensure that budget and technical assistance programmes for socio-economic development goes to the intended project. For example, management and monitoring and evaluation framework, information system for tracking external aid disbursement, utilization and accounting, and enhancing capacity for negotiations have been put in place.

4.2.3 Debt Management Department

The department's mandate is to rationalise and streamline the management of country's debt with a view to achieving operational efficiency in debt administration and to maintain comprehensive inventory of loans together with forecast of debt service.

Strategic objectives of the department are two. First, it is to strengthen national debt management. To do this, there are plans to reduce debt to sustainable levels. A programme to reduce domestic borrowing and shifting from short-term borrowing to long-term borrowing has been put in place. The department's policy is to pursue external borrowing and setting up of pension's funds and setting domestic debt fund. The department is also in the process of reviewing Laws and Regulations governing national debt management.

Secondly, it aims at strengthening debt market. The action plans it has put in place to achieve this include restructuring primary market for government securities, restructuring secondary market to make it competitive and have more players, introducing benchmarks bonds for domestic borrowing, rules and introduction of regulations that allow over the counter transactions and getting draft for a new primary dealer system.

4.2.4 Government Investment and Public Enterprises Department

The department represents government of Kenya ownership function in regard to public enterprises and other investments, and also provides oversight and leadership in setting public enterprise strategic objectives and ensuring that those objectives are met.

Its strategic objectives in trying to achieve the above duties include promoting transparency and efficiency in privatisation of public enterprises. The department has tabled privatisation bill entrenching institutional framework and the process into law as well as drafting privatisation strategy to attract private sector capital and management resources in parastatals.

Its other objective is to ensure efficient and professional management of public enterprises. The department is currently undertaking a programme of disposal off of commercial non-strategic enterprises by inviting private sector partnerships and restructuring others to achieve this objective.

4.2.5 Administration Department

The department has two functions; to provide coordinative support services within the Ministry and creating conducive working environment. The strategic objective of the department is to achieve optimal acquisition, allocation and efficient utilization of Equipment and other facilities. Provision of working tools and facilitate optimum utilization of what is available has been undertaken.

4.2.6 Budgetary Supply Department

This department's task include preparation of annual estimates of revenues and expenditures that are laid before parliament every year for approval, prepare supplementary estimates as required and fulfils constitutional requirement as per sec100 of the constitution of Kenya.

Its strategic objectives include deepening the Medium Term Expenditure Framework (MTEF) process in all Ministries and departments. The department's approach towards this has been priority budgeting system by integrating planning and budgeting processes. It also identifies sector policy priorities and developing programmes for their implementation.

Its second objective is to strengthen public expenditure management. To achieve this objective it has introduced a system that captures all forms of expenditure commitments, monitoring borrowings from banks and financial institutions by public enterprises with respect to contingent liabilities. It has also embarked on strengthening financial management by training the accounting officers and clarifying and emphasising their role. The department has also introduced the Financial Management Bill, 2004 and is in the process of implementing Integrated Financial Management Information System (IFMIS).

4.3 CHALLENGES FACED IN PLAN IMPLEMENTATION

4.3.1 Organization Structure

There were changes in the Ministry occasioned by the strategic plan. One of the changes was the officers seconded from the Central Bank to the Economic affairs Department and the Debt Management department in the Ministry: the Debt Management Unit, previously in Economic Affairs department has been given full department. There was de-linking of the directorate of procurement to become procurement oversight authority. This was facilitated by the enactment of the Public Procurement and Disposal Act 2005 which came into effect on 1st January 2007 as per legal notice NO.171 of the 29th December 2006. The regulations were published as per legal notice No. 174 of 29th December

2006. Also the Insurance department has been made to become semi autonomous authority of its own as per Insurance amendment ACT. Other developments are the performance contract and introduction of performance appraisal and the annual work plans.

According to Director of Administration, the Ministry also did away with some services that it currently out-sources from other service providers to allow itself concentrate on key issues of implementation. Cleaning services, security and waste disposal are the key areas outsourced to enhance work environment.

However, there were structural challenges in the implementation of the strategic plan. These challenges were:-

4.3.2. Staffing

It was noted that the Management and Technical staff for Finance Officers who are in Budget and Supply department required 248 officer from the 60 representing 313.3% and the Economists who are in the Debt Management Department, External Resource Department as well as Economic affairs department required an increase in economist from the current 38 to 118 officers representing 237.2% while Administration required 61 officers from the current 22 representing 117.3% increase. As indicated in the table below (Ministry of Finance Strategic Plan 2004/5-2006/07).

Table.2. Proposed Management/Technical staff

Description	Current	Required	Increase/ (Decrease)	%
Accountants	297	475	178	59.9
Auditors	252	488	236	93.7
ICT	178	338	160	89.9
Monopolies officers	18	29	11	61
Economists	38	118	55	237.1
Administrators	22	61	39	177.3
Procurement officers	17	40	23	135.2
Finance officers	60	248	188	313.3
Insurance officers	20	45	25	125.0
Pension officers	16	31	15	93.8
Personnel officers	9	12	3	33.3
Actuarial Officers	8	24	16	200.0
Others	8	33	25	312.5
Total	**1013**	**1937**	**924**	**91.2**

Source: MINISTRY OF FINANCE strategic plan 2004/5 2006/7

This also applied for the support staff as shown below

Table 3: Proposed support staff additions/reductions

Cadre	Current	Proposed	Addition/ (Reduction)	%
Accounts Assistants	535	777	242	45.2
Clerical Officers	323	475	152	47.0
Secretarial	202	311	109	54.0
ICT Staff	165	185	20	12.1
Subordinate	128	210	82	64.0
Drivers	57	126	69	121.1
Audit Examiners	31	139	108	348.3
Security	15	37	22	146.6
Executive Assistant	10	15	5	50.0
Telephone Operator	12	28	16	133.3.
Others	38	61	23	60.5
	1516	2364	848	55.9

Source: MINISTRY OF FINANCE strategic plan 2004/5 -2006/7.

There was inadequacy of balanced staff between technical and non technical staff. The Fiscal and monetary affairs had 15 technical staff and 24 support staff, Budgetary Supply Department had 71 technical staff against 18 support staff as illustrated in the table below:-

Table 4: Distribution of staff among the departments

	Department	Technical & Management*	Support	Total	%
1	Fiscal and monetary affairs	15	24	39	1.8
2	External Resources	33	30	66	2.5
3	Budgetary Supply	71	18	89	3.6
4	Accountant General	25	62	87	3.5
5	Internal Audit	252	51	303	12.2
6	Debt Management	9	2	11	0.5
7	Monopolies & Prices	19	9	28	1.3
8	Public Procurement Directorate	17	9	26	1.1
9	GDIPE	18	14	32	1.3
10	Pension's	28	118	146	5.9
11	Insurance	28	37	65	2.6
12	GITS	177	176	353	14.3
13	Government Clearing Agency	6	42	48	1.9
14	Finance Division	3	3	6	0.2
15	Accounts Division	18	43	61	2.5
16	Administration	12	124	136	5.5
17	Central Planning Unit	2	3	5	0.2
17	Personnel	12	40	52	2.1
18	Procurement (MoF)	-	5	5	0.2
19	District Treasuries	229	690	919	37.1
	Total	**970**	**1,507**	**2,477**	**100**
	Percentage	**40.1**	**59.9**		**100**

Source MINISTRY OF FINANCE strategic plan 2004/5 2006/7

There was no scheme of service in Debt Management Department, Economic Affairs Department, Government Information Technology Services Department and Department of Government Investment and Public Enterprises. This is against the Public Service Recruitment and Training Policy of May 2005 that outlines development and the regular review of scheme of service and career progression guidelines in facilitating upward staff mobility and succession management.

Others were inadequate capacity (skills); Lack of Legal Framework in some departments;

According to Financial Secretary, the current structure within the ministry is adequate to implement the strategy but there are some departments within the Ministry that require restructuring for maximum output.

4.3.3 Communication and Strategy Implementation

Communication mechanisms were found to exist. According to Director of Administration, the common means of communication within the Ministry and its departments are through meetings, both departmental and senior managements, as well as through memos, circulars, E-mails and reports. However, communication policy was lacking in the Ministry. The equipment for communication was found to be available such as Flash disks, computers, faxes and phones. It was found that communication moves through the hierarchy of authority which is the official reporting lines.

Communication also faced other challenges. For example Lack of scheduled meetings in Economic Affairs Department, lack of effective horizontal communication, receiving a lot of mails, and reply of mails within 2 days and reporting, lack of phones to communicate with the outside world in External Resources Department, lack of updated website, uncoordinated release of departmental information and according to Director of Budget and Supplies Department, communication between departments and stakeholders was taking too long, and a new transport policy affected departments because of centralized transportation.

4.3.4 Culture and Strategy Implementation

Generally, it was observed that there was positive attitude of employees towards work at the middle and lower levels. The findings were that the employees did not specifically know of existence of the strategic plan basically because the plans have been centralized into work plans. This means that employees perform their roles in the strategy through the individual work plans. Other employees' works were routine and wouldn't know of the strategic plans.

To ensure that the staffs were relevant for the strategic plan implementation, deficiencies were identified and where necessary training of staff and hiring of new officers was done. For example Public Financial Management Officers, statisticians, Tax specialists and Economists were hired to bolster some departments. Also training of staff in ICT was done. GITS staffs were retrained to make them relevant for the Ministry's plans of developing capacity to efficiently utilize ICT.

The Ministry was found to be having a training policy that requires each employee to be trained for at least five days in a year (Public Service Recruitment and Training Policy 2005). The output after training was not matching investment in some departments. However, some departments have been able to justify their training expenses. For example Debt Management department, because of the specialized nature of their work, require special training. After training, the employees were found to be more productive in their areas of operation. Culture, also was faced with some challenges. These included:-

Disparity of Pay/Remuneration, evident in difference of pay to officers seconded from outside who are better rewarded as opposed, to those within the Ministry system which affects morale of members of staff, this was noted to be in the Department of Debt Management, Economic Affairs Department and Department of Government Investment and Public Enterprises; The Director of Administration stated that most officers expect meals allowances for extra work done which they justify with the low pay. The Ministry does not have a documented reward policy.

4.3.5 Resource Mobilization and Strategy Implementation at the *Ministry of Finance*

Resources mobilization as a challenge was adequately handled by the Ministry. For instance, the Ministry gets its funds for implementation through budgetary allocation. The utilization of these funds was done through the approved budgets. For example Kenya shillings

59,697,622,014 for Development expenditure and Kenya shillings 18,802,690,080 for recurrent expenditure.(Development/Recurrent expenditure 2007).

In terms of access to, and utilization of resources, it was observed that each department had a budgetary allocation. Most of the allocation are based on each department's a budget depending on their projected activities for the year. The budgets are appraised to certify their viability and the reality on the ground. Even then, the allocations to departments were adequate. For ensuring that resources are spent appropriately, and for accurate recording, the Ministry has put in place Integrated Financial Management Information System (IFMIS) that will assist in monitoring and supervision of resources allocated to the Ministries and government department.

The resource mobilization and utilization was also faced with some challenges. For example some state corporations required guarantees from the Ministry to enable them borrow from the external market. Some of these requests were not possible given the level of the Ministry's commitment. Other challenges in resource mobilization include:-

Low level compliance of potential tax payers and some tax payers not complying with payment of their tax obligations, as all are not covered in the tax net e.g. many Kenyans employed in the informal sector who are earning huge incomes but are not paying taxes; (strategic plan 2004/5 2006/7); others were lengthy procedures in procurement process being challenge in utilization of resources; and Budgets may not provide departments with outlined and anticipated resource allocations, thus limiting the departments' effectiveness.

4.4 Measures To Deal With Challenges

4.4.1 Structure

The Ministry of Finance, having identified various challenges during the implementation of the Strategic Plan 2004/5 – 2006/7, and came up with possible solutions to these challenges.

The challenges of structure were dealt with in different ways. For example, an attempt has been made to address the issue of Lack of Scheme of Service by all the departments interviewed. The departments of Economic Affairs, Government Investments and Public Enterprises, Debt management have all prepared new schemes of service which are awaiting approval at the Directorate of Personnel Management. These schemes of service are seeking to address issues such as disparities in remuneration within the Ministry; no clear career development paths and proposals of establishment in different departments.

The study established that the new staff, especially those seconded from the Central Bank of Kenya and the Kenya Revenue Authority, are paid a higher salary than their counterparts in the mainstream ministry of

Finance. This created resentment among the employees impairing the smooth implementation of plans as the morale of those in the system are low. Also noted along these lines were the tendencies of staff expecting meals allowances whenever they did any extra work. The Director of Administration indicated that, this they justified with their low pay even though the low pay may not be particularly the real reason but an excuse.

To address these disparities, the departments came up with the Schemes of Service. So far some departments like External Resources department have already been approved by DPM but officers in the department are yet to be absorbed in the scheme.

There was also inadequate balanced staff between technical and non-technical staff. It was established that the ratio of technical staff to non-technical staff did not take cognizance of the technicality of the work of the Ministry because the former was not balanced with the latter. This may have partly been addressed by outsourcing some services as cleaning, security and waste disposal. But to address the issue fully it is expected the proposed Schemes of Services will be approved and establish requirement for technical and support staff.

There was also inadequate staff and inadequate capacity in some key departments such as the Economic Affairs department (EAD) and Debt

Management department (DMD). This has been addressed by the proposal to create various divisions within the Economic Affairs Department namely fiscal Policy, Macro and Financial Sector division, and Fiscal Administration and Private Sector issues division. The operationalisation of these is also hinged in the approval of the scheme of Service by the DPM. The Debt department has also adopted the same approach and proposes to reorganize itself into three sections namely:-

Front Office: to deal with borrowing and market relations, Middle office: to deal with analysis and, Back office: dealing with data recording and settlement. The proposal is combined in their proposed scheme of service which is yet to be approved by DPM.

4.4.2 Communication

There were various challenges identified in the Ministry which were related to communication. These ranged from lack of scheduled meetings, lack of horizontal communication to non-availability of communication equipment and lack of communication policy.

Most of these challenges have been addressed by various means. For example, according to Financial Secretary, the departments have been encouraged to hold frequent team building exercises. Few departments have embraced it, like Department of Government Investment and Public Enterprises (DGIPE) and Administration department.

Other measures undertaken to improve communication include the facilitation of HODs with Airtime, mobile phones, Laptop, Desktop computers as well as the availability in offices of Fax machines and Internet Services. However, much still needs to be done to address the issue.

4.4.3 Culture

It was established from the study that generally, the morale of employees is high. However, there were some inherent deficiencies on employees requiring to be addressed. The issue of disparity in pay is an important factor that influences a person's ability to perform enthusiastically. The Ministry's response, as has been aforesaid, was to prepare a scheme of service for each department. The proposed schemes of service were forwarded to DPM for action.

There has also been capacity building exercises done like the training of Data Machine operators to be ICT Officers. The preparation of the Data Centre Network for entire government and the Integrated Financial Management Information Systems (IFMIS) has also made it easy for the employees to work effectively.

4.5 Discussion of the Findings

This study had two research questions; Has the Ministry of Finance faced any challenges in the implementation of the Strategic Plan 2004/5 – 2006/7, and What intervention measures has the Ministry put in place to deal with these challenges?

In the Implementation process of the Strategic Plan 2004/5 – 2006/7, the Ministry was faced with a number of challenges. For example on the issue of process aligned structure, a number of challenges have emerged. There is lack of Scheme of Services in a number of departments in the Ministry. Out of the six departments from which information were collected, four did not have a Scheme of Service translating to 67%. These departments so far have come up with schemes which are still awaiting approval at the DPM.

Inadequate balanced staff between technical and non-technical staff in certain departments was also identified as a challenge. Of the departments interviewed, 67% had this problem. For example, in other countries the debt issues are handled by economists and in Kenya the Debt department does not have economists which has resulted in the support staff i.e. Accountants, and administrators, being inducted to perform the core function of the department. The Investments department has also proposed an increase from the current 26 personnel to 40 in its new Scheme lying at the DPM. This was occasioned by inadequate capacity and the number of critical transactions pending within the department. In fact, to highlight this need, a number of officers were brought in from other departments to come and assist. Thomson and Strickland (2001) outlined principle tasks of strategy implementation to include allocating ample resources to strategy critical activities and relying on middle and lower level managers to get things done, installing support system, enabling personnel to carry out strategic role successfully

Another challenge identified was that of Lack of Capacity in terms of skills. In the Debt and Investments departments, for instance, there was lack of qualified financial analysts. The personnel currently doing the work require training and when they are trained they are poached by banks. It is expected that the implementation of the Scheme of Service will help solve this problem. The Government Information Technology department within the Ministry also lacked capacity for the new technology which was being introduced in the Ministry of Finance. The Data Machine Operators were converted to Information and Communication Technology Officers which required that they be retrained to conform to the new need.

Lack of Legal Framework in some departments was also a challenge. For example the department of Debt was created from the Economic Affairs department and is yet to come up with a Cabinet memo for approval for its legal existence.

Other Challenges identified were high staff turnover to International organizations; duplicating activities (especially evident between budget and Economic Affairs who are involved in monitoring and evaluation) and upward mobility taking long.

Challenges were also evident in the area of communication. Firstly, it was noted that there was lack of communication policy within the Ministry. Secondly, there was lack of scheduled meetings which was identified as a challenge in the Economic Affairs department. Horizontal communication among heads of departments was also missing. This could be as a result of the lack of communication policy which would define and encourage communication and David (2001) states that strategy implementation requires good coordination among individuals and managing forces during action. All the departments within the Ministry complained on the numerous mails being received which require to be acted upon within two (2) days. This requirement of two (2) days was found to be impracticable as the heads of department could not meet this because of other duties.

In general there was adequate communication equipment for all the departments except the External Resources Department and Budgetary

Supplies Department. These departments communicate with the external world and internally with private sector stakeholders locally which requires that they get enough airtime. This was found to be lacking. In implementing the strategies, the organisations are faced with challenges in their environment and they overcome them in the process if they communicate as stressed by Thomson and Strickland (2001)

Lack of updated website, uncoordinated release of departmental information, communication between departments and stakeholders taking too long and new transport policy which affects departments because of the centralized transportation was other challenges faced by the Ministry in communication.

In terms of culture, one of the main challenges was that of Disparity of Pay/Remuneration. This was evident in the officers seconded from KRA and Central Bank and Private Sector to the Investment, Debt and Economic Affairs departments, who received higher pay them the main stream officers within the departments. This means that the lower paid mainstream workers were de-motivated. David (2005) while looking at strategy implementation in a management perspective outline that revising reward and incentive plan, minimising resistance to change matching managers with strategies and developing strategy supportive culture as major issues in strategy implementation.

The Ministry does not have a reward policy and lack of a clear career progression path. Reward policy for exemplary work does not exist meaning that employees were not encouraged to go the extra mile. The lack of upward mobility was very evident in a number of staff stagnating in positions for as long as five years and above. This had the effect of reducing employee morale. To address these, a number of departments have initiated new Schemes of Service. So far it is only the External Resources Departments' Scheme which has been approved and is in the process of implementation. The other departments have their Schemes of Service at the Ministry of State – DPM awaiting approval. Others were to ensure that budgets were to be read on or before 20th June of every year and delivering to Controller and Auditor General as per Chapter VII of the Constitution of Kenya.

Other challenges related to getting employee's commitment were ensuring Ministry's obligation were met in time e.g. ensuring budgets are read before 20th June of every year and delivering appropriation accounts to Controller and Auditor General.

CHAPTER V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises the results of the research work. It discusses the conclusions and recommendations. Secondary data and primary data are then compared with a view to coming up with results of the study. Limitations are also highlighted and recommendations provided both for the study and for future research.

5.2 Summary

This section summarises the key challenges of strategy implementation in the ministry of finance as lack of scheme of service in most departments that were interviewed, inadequate balanced staff between technical and non technical staff, high staff turnover, lack of communication policy, receipt of numerous mails and responding within two days, lack of horizontal communication, disparity in pay/ remuneration and lack of reward policy.

5.3 Conclusions

This work has identified three major challenges. Firstly, inadequacy of the structure was identified as a challenge. This is evident in the lack of Scheme of Service which is expected to address all the key structural issues when it is finally approved for implementation. This emphasis on structure is supported by the importance authors of strategic management placed in it. Pierce and Robinson (2005), for example explained that Structure was a key implementation element and that organization must adjust structure to be conducive to implementation of strategy and putting control measures in place to ensure compliance.

Secondly, communication policy was another factor found not to exist within the Ministry. This meant that the free flow of information could not be achieved. Some key implementation activities as identified by Thompson & Strickland (2001) such as relying on middle or lower level managers to get things done and building a capable organization, are largely dependent on the communication framework available.

Finally, there was no reward scheme and there existed disparity of pay. This has a direct bearing on building a team that works with enthusiasm towards achieving the strategic plan's objectives. David (2005) identified such factors as revising reward and incentive plan, minimising resistance to change, matching managers with strategic and developing strategy supportive culture.

5.4 Limitations of the Study

The Study was carried out in the Ministry of Finance and it was at a time when the World Bank mission was at the Ministry and this posed a lot of delay because there were respondents who were engaged with World Bank officials and getting their audience was difficult.

There was also the issue of travelling all the way to Nairobi for consultations with the Supervisors which was very expensive in time and money.

In gathering of primary data some respondents were not willing to give information until they get clearance from the Permanent Secretary and Financial Secretary.

5.5 Recommendations

It is recommended that in order for the Ministry of Finance to deal with challenges in its structure; The Schemes of Service that different departments within the Ministry have proposed takes a critical look at the disparity in remunerations and positions within those establishments in terms of Job groups. The Job groups of different heads of departments should be harmonized bringing all heads of departments to the same level to avoid dissent or conflict among the Ministry of Finance leaders. This eventually will address the issue of disparity in remunerations/reward policy on remunerations should be adopted by the Ministry.

On communication, it is recommended that Ministry of Finance develops communication policy. While on the issue of challenges faced by a lot of mails received, it is recommended that the Ministry put a system that adopts digital format and stores the letters in a server for easier tracking and action by respective officers.

5.6 Suggestions for further Research

There is need to undertake further research in Strategy implementation in public sector. There are numerous plans written in public sector that requires to be implemented. There is also need for replication of the study to be done in public sector and any changes can be compared within different institutions in public organisations.

There is also need to study how the concept of Scheme of Service in public sector (Central Government) Impacts on Service delivery more so Strategy Implementation and the effect of rewards tied to performance

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APPENDIX I
INTERVIEW GUIDE
SECRETARIES

1. What are the broad objectives of the strategic Plan 2004/5- 2006/7? What part of these objectives do you play a role in?
2. In an effort to implement these objectives, what action plans have the ministry put in place?
3. Are the strategic objectives general or specific to each department?
4. What specific action plans have you put in place to ensure each department performs its role effectively?
5. Does the ministry maintain resource management systems to ensure proper utilisation of funds, accountability, financial monitoring and efficient reporting, all geared towards successful strategy implementation? Comment briefly on how each of these aspects is ensured.
6. What is your general comment on the overall resource mobilisation in terms of access to, and utilisation of, resources to enhance implementation of strategy?
7. What challenges do you face in the implementation of resource mobilization and utilization plans?
8. Were there structural changes occasioned by the strategic Plan? Which were they and why were they necessary?
9. Are there services which you currently outsource to allow the ministry to concentrate on core implementation activities?

10. Do you think the current structure is adequate? If not what adjustments do you expect to take place for the successful implementation of strategy?

11. What challenges may you have faced with implementing a strategy aligned structure?

12. Was it necessary to acquire new employees or retrain the old ones? What key competencies were required from the employees?

13. Does the ministry have a documented reward policy? How does the policy (if any) support the implementation of strategy?

14. Comment on the various challenges that may have been faced on each of the following:-

    i. Communication

    ii. Structure

    iii. Culture

15. What actions were put in place to deal with each of these challenges?

16. What is your general comment on strategic management in public sector in Kenya?

APPENDIX II

INTERVIEW GUIDE
HEADS OF DEPARTMENT

1. What are the broad objectives of the strategic Plan 2004/5- 2006/7? What role does your department play in attaining these objectives?
2. In an effort to implement these objectives, what action plans have the department put in place?
3. What specific action plans have you put in place to ensure that your department performs its role effectively?
4. Were there structural changes occasioned by the strategic Plan? Which were they and why were they necessary?
5. Are there services which you currently outsource to allow the department to concentrate on core implementation activities?
6. Do you think the current structure is adequate? If not what adjustments do you expect to take place for the successful implementation of strategy?
7. What challenges may you have faced with implementing a strategy aligned structure?
8. Does the structure support communication for implementation?
9. What mechanisms have you put in place to ensure smooth flow of communication during implementation? Was it necessary to revise communication policy or acquire new equipments?
10. Do you think the current communication flow is adequate? If not what may be the reasons for this and what measures have you put in place to enhance communication?

11. What challenges could you have faced in communication during implementation?

12. What is the general attitude of sub-ordinates to the strategic plan? Do they have adequate information on their roles in the implementation?

13. Was it necessary to acquire new employees or retrain the old ones? What key competencies were required from the employees?

14. How would you describe the rate at which staff training programmes has increased to enhance their ability to implement the strategic plan? What is the justification of such a rate?

15. What challenges did you face in terms of employee morale, behaviour, and general approach to work during the implementation of the plan?

16. What actions were put in place to deal with broad objectives of the department?

17. What is your general comment on strategic management in public sector in Kenya?

APPENDIX III

LETTER OF INTRODUCTION

FELIX L. B. O. ATENG
SCHOOL OF BUSINESS
BANDARI CAMPUS
P. O. Box 30197
NAIROBI
Dated 31st July, 2007

Dear Respondent,

REF: INTERVIEW

I am currently undertaking a postgraduate course on strategic management at the University of Nairobi, School of Business, Bandari Campus.

In order to fulfil the degree requirement, I am undertaking a research project as part of the academic requirements towards completion of the course. You have been selected to be part of this study.

This is to kindly request you to assist me by availing yourself to answer the interview questions that I will ask. The information that you provide will be used exclusively for academic purposes and will be treated with strict confidence.

A copy of the final paper will be availed to you upon request.

Your corporation will be highly appreciated.

Thank you in advance.

Yours faithfully

Felix L. B. O. Ateng
MBA student
School of Business
University of Nairobi

Prof. Evans Aosa
Lecturer/ Supervisor
School of Business
University of Nairobi

APPENDIX IV

CHAPTER FOUR: STRATEGIC ISSUES AND OPTIONS

4.1 Strategic Issues

The strategic issues that were identified are; Financial Management, Financial Sector Regulation; Competition and protection of consumers; Information and Communication Technology, Ministry's image; Quality of Services; Relationship with development partners and private sector; Capacity for change management; HIV/AIDS pandemic; Ethics, Integrity and Corruption; Monitoring and Evaluation; Organizational structure and staffing;

4.2 Strategic Objectives

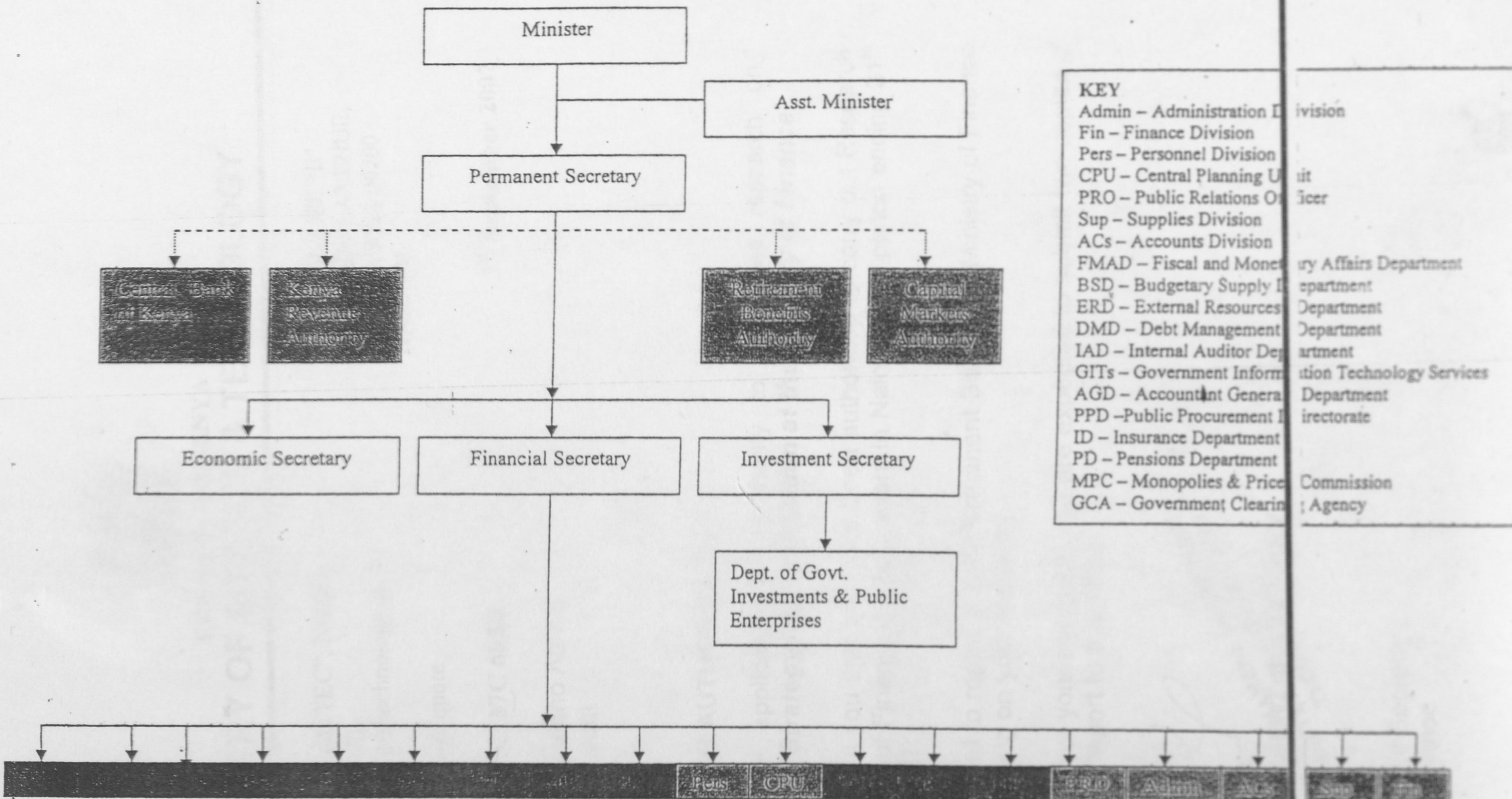
The strategic objectives of the Ministry reflect the key result areas (outputs and outcomes) that will respond to specific sets of strategic issues and challenges facing the Ministry. These objectives have been identified in the context of the situation analysis as well as the constraints and opportunities that confront the Ministry. Further, for each strategic objective, the appropriate strategies around which specific activities have been identified are discussed.

The strategic objectives and activities also reflect the vision, mission, core functions and policy priorities of the Ministry. Twelve key strategic objectives (output areas) have been identified. These are to:

- Improve mobilization, allocation and management of government financial resources.
- Provide effective leadership and supervision to the financial sector.
- Promote and sustain fair competition and protection of consumers.
- Mainstream and optimise utilization of ICT developments in the Ministry and all other government ministries/departments.
- Improve and sustain a positive image.
- Improve the quality of services provided to government ministries/departments and the public.
- Create an enabling environment for development partners and the private sector to operate effectively.
- Enhance capacity for effective leadership and management of change.
- Deliberately and effectively respond to the HIV/AIDS pandemic.
- Promote ethics, integrity and zero tolerance to corruption.
- Mainstream monitoring and evaluation.
- Restructure the Ministry for enhanced efficiency and effectiveness.

In the sections that follow, the strategies associated with each of the strategic objective are elaborated.

Figure 6.3 Current Organizational Structure for Ministry of Finance



REPUBLIC OF KENYA

MINISTRY OF SCIENCE & TECHNOLOGY

Telegrams: "SCIENCE TEC", Nairobi
Telephone: 02-318581
E-Mail:ps@scienceandtechnology.go.ke

JOGOO HOUSE "B"
HARAMBEE AVENUE,
P.O. Box 9583-00200
NAIROBI

When Replying please quote

Ref. MOST 13/001/ 37C 605/2

7th September 2007

Felix Luke Bob Otieno Aten'g
University of Nairobi
P.O.Box 30197
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on,' ***Challenges of Strategy Implementation at the Ministry of Finance'***

This is to inform you that you have been authorized to carry out Research in the Ministry of Finance Headquarters in Nairobi for a period ending 31st December 2007.

You are advised to report to the Permanent Secretary, Ministry of Finance before embarking on your research.

On completion of your research, you are expected to submit two copies of your research report to this office.

M. O. ONDIEKI
FOR: PERMANENT SECRETARY

FOR PERMANENT SECRETARY
MINISTRY OF SCIENCE AND
TECHNOLOGY

Copy to:

The Permanent Secretary
Ministry of Finance
NAIROBI

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 4184160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 24/8/07

TO WHOM IT MAY CONCERN

The bearer of this letter FELIX LBO ATENG

Registration No: D61/P/7966/04.

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 project is entitled CHALLENGES OF STRATEGY IMPLEMENTATION AT THE MINISTRY OF FIN

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

J.T. KARIUKI
CO-ORDINATOR, MBA PROGRAM