

**STRATEGY FORMULATION: A CASE STUDY OF
COMMUNITY DEVELOPMENT TRUST FUND (CDTF)**

BY:

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DECLARATION

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

Signature.....

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D/61/P/8429/98

This management Research Project has been submitted for examination with my approval as the University Supervisor

Signature.  J . ^ O ^ T . . k k l Z.....

Prof. Evan Aosa
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DEDICATION

To my loving wife Iralia for your unwavering support and encouragement. You are in indeed an inspiration and a pillar of strength.

To my mother Elizabeth for the good foundation and virtues you gave me.

To my supervisor, Prof. Evans Aosa for the patience, understanding and guidance he has accorded me.

To my lecturers, for opening up my mind and broadening my thoughts.

(Hi)

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ABSTRACT

Strategy formulation is the development of long-term plans for the effective management of environmental opportunities and threats in light of the organization's strengths and weaknesses. To achieve an effective strategic fit with the environment, strategies should be formulated in a partnership manner that involves consultation and participation. Strategy formulation is thus a social and political process in which interest groups with often-conflicting interests and bargaining powers interact. The process should involve key stakeholders who influence and share control over the organization's resources. The entire strategy formulation process must have the blessing and active participation of top management and senior managers should play a leading role in the exercise. Strategy formulation is part of the wider strategic planning process.

The study focused on strategy formulation process using a case study of Community Development Trust Fund (CDTF). Chapter one has reviewed the challenges Kenya faces in implementation of development programmes in conjunction with major donors. The specific objectives of the study were to establish the various challenges that CDTF has faced in its attempts to formulate effective strategies to meet its mission and to also document the strategy formulation process at CDTF.

The literature review has focused on the concept of strategy and its importance in the organisation. The section has also presented an evolution of strategic management and description of the strategic planning process. Various approaches to strategic planning, its value and challenges have also been documented. The methodology applied in the study has been presented in chapter three. Qualitative primary data was collected by conducting interviews with 6 senior officials of CDTF.

The findings of the study reveal that the strategies adopted were all geared towards the mission and vision, and that there is a direct relationship between the organization's mission statement and the strategies adopted. The major challenges faced by CDTF in formulating its strategies were found to include weak governance and management systems in the public sector, corruption, inherent weaknesses of the Ministry of Planning, slow disbursements and bureaucracy by the European Union (EU). The seconded technical advisors from the EU were also reported to have limited expert knowledge and experience than the CDTF officials. The study recommends that strategy formulation should precede strategy implementation at CDTF, and there should also be sufficient, timely and flexible allocation of resources to finance the programmes.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Effective strategy formulation is a key ingredient to successful strategic management. Such a process is crucial since different interested parties have to be involved whose contribution is an essential ingredient to the success of the process (World Bank 2000).

A strategy per se is a broad based plan on how to achieve objectives. Mintzberg and Quinn (1996) indicate that strategy is about survival in business, on the battleground, during a game or through life in general. They define strategy as a pattern or plan that aligns goals, policies and actions into a cohesive whole.

Grant (2002) contends that success requires a strategy that provides a consistency of direction based on a clear understanding of the game being played. It involves creation of an acute awareness of how to maneuver into a position of advantage. Organizations would prefer certainty to uncertainty. To avoid uncertainty, which is consistent with risk management, most organizations would craft and implement effective strategies to enable them face the future with more certainty. The greatest risk in business is not to take risks and so strategic management is the cornerstone of effective mitigation of such risks.

Since most organizations operate in the face of uncertainty, strategic management has received great attention in the recent past. Aosa (1992) also notes that most Kenyan managers operated in highly competitive conditions as the complexity of the Kenyan business environment was increasing tremendously.¹ Organizations are constantly being subjected to change be it economic, competitive, environment or political. Organizations are always dependent on their external environment. ' Ansoff (1987) notes that due to the constant change in operating environment, organizations have to constantly adapt their operations to reflect the new realities.

1.1.1 Strategic Planning

Johnson and Scholes (2002), views strategy as the direction and scope of an organization over the long-term. This achieves advantage through its configuration of resources within a changing environment and fulfillment of stakeholder's expectations.

Strategic planning is thus the process adopted in identifying a strategy that best matches organizational capability with the environment. Strategy is about winning (Grant, 1996), and will help by giving coherence and direction to both individuals and organizations by specifying the resources that are required to achieve an objective. Success in today's business environment requires that a company's leaders have the ability to create -a vision of the organization's future direction as well as the course it needs to get there (Pearce and Robinson, 1997). Strategic

planning process should first address the present situation and resources of the organization and examination of recent history and changing contexts (both internal and external). This involves consideration of strengths and weaknesses and determination of how to capitalize on strengths.

Strategic planning should also articulate the organization and the mission statement of the organization. Goals and objectives should then be set indicating the intended future direction of the organization. Friedman (1996) recommends choosing a limited number of broad goals that reflect multiple objectives. After articulating the vision and determining goals, planners must address means of reaching their goals. This step involves articulating strategies for achieving results. Strategies should reflect the strengths and weaknesses of the entity engaged in the planning. Recognition of relative strengths and weaknesses is helpful in identifying promising strategies.

1.1.2 Kenya's Challenges

While the problems facing Kenya reflect in part challenges such as recurring droughts, famine, falling export commodity prices, corruption and public security concerns, Kenya's poor performance in attracting substantial donor funding has also been due to a policy-making environment that is not conducive to rapid and sustained economic growth. In the 1980s, Kenya was among the major aid recipients in Africa. The late 1990's witnessed a steady decline in development

assistance occasioned by a perception of poor governance, mismanagement of public resources and declining development assistance from donors. (World Bank 2000).

In 1997, major donors to Kenya formed an Economic Governance Group, chaired by the World Bank, to address issues related to governance and assistance programs. The Ministry of Finance chairs the Group, with meetings facilitated by the United Nations (UN), the European Union (EU), World Bank, and the International Monetary Fund (IMF). There was a significant rebirth of interest in funding programmes internationally in the late-1990s, culminating in the request that all developing countries should adopt various specific strategy papers as the operational basis for development cooperation from major donors. This initiative came about as a direct response to meetings of the boards of these bilateral donor-funding institutions (O'Brien and Ryan 2001).

In the development of these strategy papers, strategy formulation is a key concern and the list of strategic alternatives to be evaluated is prepared in consultation with government agencies, NGOs, development experts, parliamentarians, local administration and the specific intended beneficiary segment of the population. By involving these stakeholders, the strategic formulation process is expected to benefit from varied perspectives, wisdoms and experiences. It also leads to broader ownership and accountability for inputs.

In Kenya, a poor policy making environment has in the past led to poor governance and mismanagement of resources, which in turn has led to a decline in funding for poverty alleviation projects. This has also contributed to a great outcry from the international community on the governments' efforts in putting in place appropriate strategy formulation policies. The key stakeholders in the strategy formulation process are also unduly influenced by politics hence poor strategy making. Due to these challenges, a number of community development projects have been inappropriately funded, rejected, and abandoned. Others have succeeded while many others started have stalled. Coordinating and soliciting the efforts of various participating stakeholders has also proved to be a daunting task (O'Brien and Ryan 2001).

1.1.3 Community Development Trust Fund (CDTF)

Community Development Trust Fund (CDTF) is an organization whose main objective is to provide funds for development projects to alleviate poverty, while addressing basic needs of communities and individuals. CDTF was established by the signing of an agreement between the Government of Kenya (GOK) and the Commission of the European Union (E.U), in order to facilitate the funding of a community development programme through grants from the European Development Fund (EDF). The grants are limited to the amounts stipulated in the relevant financial agreements, protocols and memorandum of understanding. The

Fund's status was legalized after being gazetted by the Government of Kenya on 11th October 1996, under legal notice no. 303 published in the Kenya Gazette. The founders of the Fund, namely the GOK and the EU have joint responsibility in management, and have entrusted and appointed several trustees to do so on their behalf.

Various documents relating to rules and regulations, financial agreements, project management and the daily administration of CDTF were signed and are compiled in a memorandum of understanding signed by the two founding parties. The initial capital of the Fund was Kenyan Pounds 3 million appropriated by parliament in the financial year 1995 - 1996. To date, about one billion shillings has been allocated to the fund. CDTF's registered office is in the lower Upper Hill area of Nairobi, and it employs 36 members of staff.

KCDTF, just like any other organisation is not a closed system. It undertakes strategy formulation and in doing so does encounter challenges. Its environment determines the choices available and has to strive to respond and adapt to or be selected out. CDTF has a defined operating environment, and as time goes, this environment has constrained its choices. Strategy is about reading the environment and adapting appropriately. CDTF can thus not survive unless it can adapt faster than its environment changes.

1.2 Statement of the Problem.

Ansoff and McDonnell (1990) regard strategy formulation as a formal and disciplined process leading to a well-defined organisation-wide effort aimed at the complete specification of corporate, business and functional strategies. Strickland and Thompson (1998) argue that strategy formulation has a strongly entrepreneurial character in the sense that managers have to choose among alternative strategies and to pursue approaches, and this entails at least a small amount of adventure behaviour and risk-taking.

According to the World Bank (2000), strategy formulation is a process through which stakeholders influence and share control over development initiatives, and the decisions and resources that influence them. It is thus a process through which these stakeholders influence and share control over priority setting, policy-making, resource allocations and access to public goods and services. In whatever context or reason they are used, strategy formulation processes allows countries to begin exchanging information and thereby increase the transparency of their decision-making. This in turn is hoped will improve government accountability to the people and, as a result, increase the overall governance and economic efficiency of development activities. Strategy formulation is thus a social and political process in which interest groups with often-conflicting interest and bargaining powers interact.

The main objective of the exercise is to consult with the potential stakeholders to ensure that their voices and concerns are included in the policy making process.

The opportunities for consultation are also extensive, not just in the assessment of the actual area of funding, but also in the formulation of the strategy, its approval, its implementation and evaluation. With most major donors, participatory approaches emphasize that the formulated strategies should be country-driven, involving broad-based participation by civil society and the private sector in all operational steps.'They should also be results oriented, long-term and widely involve coordinated participation of development partners such as bilateral, multilateral, and non-governmental organizations, (World Bank 2000).

The strategy formulation process, in many organizations, is usually influenced by a number of factors. CDTF has not been an exception and is facing many challenges in strategy formulation. These include politics, problems related to governance and resource management, declining support from development partners, delays in availing of funds on time and increasing conditions from development partners. In such a scenario, CDTF is expected to turn to explicit strategy to address its challenging environment to fulfill the set performance objectives set by the main • donors, the European Union and the Government of Kenya. Bearing this perspective in mind, how does CDTF go about the strategy formulation process? What challenges does it face as it-develops its strategies?

1.3 Objectives of the Study

This study has two objectives

- To establish the various challenges that CDTF has faced in its attempts to formulate effective strategies to meet its mission.
- To document the strategy formulation process at CDTF.

1.4 Importance of the Study

The findings of this study will be beneficial to various stakeholders. Firstly, scholars of strategic management who will get an insight of the process of strategy formulation process at CDTF, one of the largest EU funded projects in Kenya. Secondly, the findings will shed more light to the public in regard to the participation, consultation and consensus building processes that are undertaken with donors.

Thirdly, the donor community and the various Government departments involved in strategy formulation will be more sensitized on the actual country strategy formulation process. Fourthly, this study is expected to stimulate further research in this area of strategy formulation between government and donors, and provide more understanding of the use of Strategic Management in government policy development. Lastly, in academic circles, the study will increase the body of knowledge in the area of strategic-management in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

According to Grant, (2002) there is no agreed all embracing definition of strategy. Indeed, strategy is an elusive and somewhat abstract concept. He argues that this is expected when dealing with an area that is constantly developing. Strategy is the direction and scope of an organisation over a long term. Strategies are systematic choices about how to deploy resources to achieve goals (Safford 2005).

Strategy is the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Chandler 1962). According to Quinn (1980), strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. Strategy is a plan, a sort of consciously intended course of action or a guideline (or set of them) to deal with a situation.

Strategies are large scale, future-oriented plans for interacting with the competitive environment to achieve company objectives (Pearce and Robinson 1997). A strategy is a company's game plan. It reflects a company's awareness of how, when and where it should compete and for what purposes. It is the things that businesses do, the paths they follow, and the decisions they take in order to reach certain points and levels of success (Strickland and Thompson 1996).

Mintzberg and Quinn (1996) proposes five formal definitions of strategy as plan, ploy, pattern, position, and perspective. As a plan, a strategy can be a ploy, mainly just a specific maneuver intended to outwit an opponent or competitor. Strategy is a pattern, specifically a pattern in a stream of actions. Strategy is a position, specifically a means of identifying where an organization locates itself in what is known in the management literature as an environment, for a business firm, usually a market. Strategy is a perspective, its content consisting not just of a chosen position but also of an ingrained way of perceiving the world.

Strategy remains one of the most widely discussed and debated topics in the world of modern organizations. There seems to be universal agreement that a strategy is a scheme or an elaborate and systematic plan of action designed to achieve a particular goal. It is a long term plan for success, to achieve an advantage while describing the differentiating activities an organization pursues to gain competitive advantage. Many also agree that a strategy is the basic idea of how the struggle of a specific campaign shall develop, and how its separate components shall be fitted together to contribute most advantageously to achieve its objectives. Tactics and specific methods of action are used in smaller scale operations to implement the strategy for a specific campaign (Hofer & Schendel 1978).

Strategy can be viewed as a company's overall plan of development. Corporate strategy can be more formally defined as a comprehensive plan or action orientation that identifies the critical direction and guides the allocation of resources of an entire organization (Markides 1999).

2.2 Strategic Management

Without a carefully planned approach to implementation, strategic goals cannot be attained. Developing such a logical approach however represents a real challenge to the management. A host of factors including politics, inertia, and resistance to change routinely can get into the way of strategy implementation. It is apparent that making strategies to work is more difficult than strategy formulation (Hrebiniak, 2005).

Strategic management is the process by which organizations determine their purpose, objectives and the desired levels of attainment. It is also the process by which organisations decide on actions for achieving these objectives in an appropriate timescale in a frequently changing environment and also implement the actions and assess progress and results (Thomson and Strickland 1996).

The strategic process can be divided into three main areas of activity: strategic formulation, strategic implementation and strategic evaluation (Thompson and Martin, 2005). The process involves the basic elements of mission and objectives,

environmental scanning, strategy formulation, strategy implementation, evaluation and control.

In the changing world economy, strategic management processes and principles have to adapt to forces never experienced before in history. As an evolving and context dependent practice, strategic management must incorporate many factors and considerations. With the advent of the information age and globalization, the tactics and strategies necessary for success have become more complicated, sophisticated, and even radical. To succeed in the long term, companies must compete effectively and outperform their rivals in a dynamic and often turbulent environment (Thompson and Strickland 1996). ^

2.3 Evolution of Strategic Management

According to Thompson and Martin (2005), superb execution of an excellent strategy is the best test of managerial excellence and the most reliable recipe for ensuring a company achieves exceptional performance. The increasing risks of error, costly mistakes, and even economic ruin are causing today's professional managers to take strategic management seriously in order to keep their companies competitive in an increasingly volatile environment. Research has suggested that strategic management in most companies evolves along similar lines, albeit by varying rates of progress, from basic financial planning to an overall strategic management framework. Traditionally, the strategic planning

process has often focused on developing plans by defining where the organization is now, where it needs to be, and then identifying the activities or processes that will have to be carried out in order for the organization to achieve its goal. (Ansoff and McDonnell 1990).

However, as strategic planning inevitably deals with long time-scales in an ever changing world, there is typically a high degree of uncertainty about the future conditions in which the plans are expected to succeed. Unfortunately, as the conditions become more and more unpredictable, plans based on activities or processes become less and less useful. Indeed, planned activities can often become less useful when those strategies have to be implemented by people other than those who originally developed the plans (Keegan 1989).

As the turbulence levels changed, management developed systematic approaches to handling the increasing unpredictability, novelty and complexity. As the future became more complex, novel and less foreseeable, systems became correspondingly more sophisticated, each complementing and enlarging upon the earlier ones. The respective systems were responsive to the progressively decreasing familiarity of events and decreasing visibility of the future. The systems can therefore be grouped into the following four distinctive stages of evolution. First, management by (after the fact) control of performance, which was adequate when change was slow. Secondly, management by extrapolation, when change

accelerated but the future could be predicted by extrapolation of the past. Thirdly, management by anticipation when discontinuities began to appear but change while rapid was still slow enough to permit timely anticipation and response. Lastly, management through flexible or rapid response. These are management practices which are currently emerging under conditions in which many significant challenges develop too rapidly to permit timely anticipation (Ansoff and McDonnell 1990).

2.4 The Strategic Planning Process

A company's strategy is management's game plan for growing business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operation and achieving targeted objectives (Thompson et al, 2005). Strategic planning is part of the wider strategic management process. Planning is a formalized procedure to produce an articulated result in the form of an integrated system of decisions. Thinking about and attempting to control the future are important components of planning (Mintzberg and Quinn, 1996).

Strategic planning is a complex and ongoing process of organizational change. Several attributes, when combined effectively define a successful and comprehensive strategic planning process. It is oriented and focuses on the anticipated future and also looks at how the world could be different 5-10 years from now. It is also based on thorough analysis of foreseen or predicted scenarios

of the possible alternative futures, as well as the analysis of internal and external data. Strategic planning is flexible and oriented towards the big picture while aligning an organization with its environment. It is an ongoing continuous learning process and organizational dialogue, which extends beyond attaining a set of predetermined goals. An important aim of strategic planning is to change the way an organization thinks and operates and thus creating a learning organization. When successful, it influences all areas of operations thus becoming a part of the organization's philosophy and culture.

One of the major differences between conventional planning and strategic planning is that conventional planning tends to be oriented toward looking at problems based on current understanding, or an inside-out mind set. Strategic planning requires an understanding of the nature of the issue, and then finding of an appropriate response, or an outside-in mind set (Rowe 1994).

Strategic planning is part of the wider strategic management process and involves three key initial steps namely formulation of mission and objectives, environmental scanning and strategy formulation. The sequence of the steps is illustrated in figure 1.

Figure 1: Steps in strategic planning



Source: Rowe, A.J. (1994), *Strategic Management: A Methodological Approach*, 4th ed., Addison-Wesley, Reading, MA

The mission statement describes the company's business vision, including the unchanging values and purpose of the firm and forward-looking visionary goals that guide the pursuit of future opportunities. Guided by the business vision, the firm's leaders can define measurable financial and strategic objectives. Environmental scanning involves conducting an internal analysis of the firm, performing an analysis of the firm's industry (task environment). Internal analysis

can identify the firm's strengths and weaknesses. External analysis reveals opportunities and threats. Industry analysis can be performed using Porter's five forces framework. This framework evaluates entry barriers, suppliers, customers, substitute, products, and industry rivalry (Porter 1996).

Strategy formulation involves several key activities of establishing a framework for the exercise and reaching a consensus on the objective, purpose and results so that it is appropriate. The entire strategy formulation process must have the blessing and active participation of top management. Senior managers should play a leading role in the exercise. However, strategies should be implemented in a partnership manner that involves consultation and participation of key stakeholders (Rowe 1994).

Participation is a major concern of the strategy formulation exercise. Top management should devise a staff action plan, which ensures a proper two-way flow of information that gives relevant advice on issues of concern. Various functional groups with often conflicting interests and bargaining power have the opportunity to interact by freely expressing their realities and priorities (Strickland and Thompson 1996).

There are some other important considerations during the strategic formulation process. The analysis of the results and the production of a report are crucial. The

decisions on what alternative strategies to be evaluated should involve the review of the previous formulation work and documentation, trade-offs and convincing reasons as to why certain decision alternatives are more superior to others. This adds pressure for greater accountability and ownership of the formulation process. Within the chosen strategy, every organization member's role should be clear, well explained and understood (Rowe, 1994).

A key concern in strategy formulation is to stay focused on the mission and vision of the organisation to ensure that these are relevant to the existing external environmental situation. The selection of the approach to setting objectives is the independent choice of the top management team, possibly influenced by corporate staff or professional advisers.

No matter what their size, all organisations need to plan, and doing so will highlight both the opportunities and challenges facing them. These will in turn not only strengthen the organisations, but will enable them to deliver more effectively the needs of their beneficiaries. Planning can be simple and straightforward, particularly if it is made accessible and relevant. Above all, it can be a creative process that brings demonstrable benefits.

Strategic planning does not occur in a vacuum. Many organisations initiate the planning process during a period of great changes such as financial challenges,

physical expansion, changes in leadership etc. Strategic planning should not be done in isolation or undertaken once and left on the shelf to gather dust. The strategic plans should be regularly updated and continually referred to by staff, trustees, and beneficiaries.

The benefits and limits of strategic planning are linked to the nature of the change facing the organisation. First, strategic planning enables an organization to think about the big picture and future plans and thus aligns stakeholder needs with a plan that can be put into operation. Secondly it enables the organisation to be more proactive and to actively shape its own destiny. Thirdly, an organisation is able to better make decisions, prioritize and solve problems, deal with change, and facilitate teamwork (Abell 1993).

2.5 Approaches to Strategic Planning

Different approaches (perspectives) exist that explain the strategy formulation process in organizations. Chief among these are the analytical and behavioral approach. The analytical approach emphasizes the importance of analysis in strategy development. This approach focuses on techniques like portfolio planning, forecasting, competitor analysis and environment scanning. Strategy formulation is seen as a formal, deliberate, disciplined and rational process (Ansoff 1987).

The behavioral approach lays its emphasis on people in the organization. This process states that strategy is influenced by the power relationships and behavioral factors in an organization (Mintzberg and Quinn 1996). The emphasis is on multiple goals of the organization, the political aspects of strategic decisions, the importance of bargaining, negotiation and the role of coalitions in the strategy making process.

According to Johnson and Scholes (2005), there are three ways of looking at strategy development, which they refer to as the strategy lenses, through which strategy in organisations can be viewed. Strategy can be viewed as a design when strategy development is a logical, analytical and planned process in which economic forces and constraints on the organisation are weighed carefully to establish clear strategic direction in its implementation. Strategy can also be viewed as experience. Here the view is that future strategies of organisations are based on the adaptation of past strategies through cultural and political processes which influence the experience of managers and others in the organisation. Lastly, strategy can also be viewed as ideas. Here strategy is not so much seen as planned from the top but emergent from within and around the organisation due to a changing and diverse environment that fosters innovation. Ideas compete for adoption within and around organisations and the top management act as coaches and creators of context.

Strategy can also develop from leadership. A strategic leader is an individual upon whom strategy development and change are seen to be dependent. They are individuals personally identified with and central to the strategy of their organisation. Their personality or reputation may result in others willingly referring to such an individual and seeing strategy development as his or her domain. Strategic leadership involves activating agendas that infuse organizations not just with change visions, but also with sustained capacity for change implementation (Pettigrew *etal.*, 2001).

Strategy can also develop as a result of a political process. Politics has been called 'the art of the possible' with much good reason. It is about persuading others to accept a particular point of view. To achieve this persuasion, skills in oratory, writing, and visual or audile presentation are generally important. From experience comes a feel for what is possible. Often what appears as possible is closely controlled by the environment in which the persuasion is taking place, and the time at which it takes place. Furthermore it is influenced either by the persuader having superior power or superior legitimate authority. Sometimes this superior power may be the threat of military or legal action if verbal persuasion fails to achieve the sought objective (Levitt 1986).

Strategy can be the outcome of the bargaining and power politics that goes on between important executives. Such executives are continually trying to position

themselves such that their views prevail or that they control the resources in the organisation necessary for future success. This political view of strategy development is that strategies develop as the outcome of processes of bargaining and negotiation among powerful internal or external interest groups or stakeholders.

Logical incrementalism is a strategy development process where managers have a view of where they want the organisation to be in years to come and try to move towards this position in an evolutionary way (Quinn 1980). Overall, logical incrementalism can be thought of as the deliberate development of strategy by learning through doing. This theory recognizes that the process of implementing change in a large organization is complex and time-consuming. Internal and external forces can exert significant pressure to resist a senior management team plan for strategic reorganization of the company. (Quinn 1980) studied a number of large organizations undergoing significant changes and determined a pattern of planning that corporate leaders could use to facilitate effective implementation and acceptance of change. Logical incrementalism describes the process and focuses on the evolution of the change as broad goals are more narrowly refined and adapted. Logical incrementalism is viewed by many top-level managers as an accurate description of how change is successfully generated and implemented in a healthy organization. By floating-an idea early on, a leader can improve the quality of information generated before decisions are made and can overcome

political and emotional barriers to change. Early involvement by subordinate groups can create personal and organizational commitment to the change plan and facilitate effective implementation.

There may be situations in which managers face the imposition of strategy by agencies or forces external to the organisation. Government may dictate a particular strategic course or direction. For example, in the public sector or where it exercises extensive regulation over an industry or choose to deregulate or privatize an organisation previously in the public sector. This may not be the choice or even the wish of the managers. An operating business within a multidivisional organisation may regard the overall corporate strategic direction of its parent as akin to enforced choice; or a subsidiary may have strategies imposed on it from corporate head office (Schumpeter 1942).

Strategy can also emerge as a result of a deliberate strategy. Unpredicted and unintended events frequently occur that differ from intended strategies and the organisation must respond. Emergent strategy is a pattern, a consistency of behavior over time, a realized pattern that was not expressly intended in the original planning of strategy. It results from a series of actions converging into a consistent pattern (Mintzberg and Quinn, 1996).

Although organizations can and should evaluate their environment, no one can foresee the future. Events occur that challenge our assumptions and contradict

our forecasts. Also, bright ideas often come spontaneously outside of the formal strategic planning process's framework and between planning events. When a deliberate strategy is realized, the result matches the intended course of action. An emergent strategy develops when an organization takes a series of actions that with time turn into a consistent pattern of behavior, regardless of specific intentions. Deliberate strategies provide the organization with a sense of purposeful direction. Emergent strategy implies that an organization is learning what works in practice. Mintzberg (1978), made a distinction between deliberate strategy and emergent strategy. He notes that emergent strategy originates not in the mind of the strategist, but in the interaction of the organization with its environment. He claims that emergent strategies tend to exhibit a type of convergence in which ideas and actions from multiple sources integrate into a pattern. Mixing the deliberate and the emergent strategies in some way will help the organization to control its course while encouraging the learning process. Organizations must be alert to recognize positive emergent strategies and be flexible to accept them. Otherwise, an ineffective intended strategy may not bring the desired results, and a beneficial emergent strategy will not be allowed to thrive.

Lindblom (1959) asserted that altering policy in small steps was the most effective form of political change,-which he referred to as muddling through. He believed that there are some problems that are simply so complex and difficult

that even the smartest, most persistent leader will be unable to find an optimal solution. As a result, decision-makers typically muddle through complex problems with small changes in the status quo. They come up with a solution that they believe suffices even if it is not optimal, and then move on to the next problem. He argued that this was how decision-makers typically functioned as the high risks associated with complex problems make radical decision-making a less successful avenue because it is too hard to evaluate the outcome.

2.6 Value of Strategic Planning

Strategic planning process enables a firm to determine its present state, the future and how to achieve such a future. Without a strategy, an organization misses opportunities, wastes resources, and generally drifts away from its objectives. Eventually, the end result is confusion, misapplication of resources, lack of clear objectives, no timescales and no accountability (Ngumo, 2006).

Many organizations come up with absolutely brilliant strategies, but sometimes nothing formal or written. They just intuitively have a sense of where they wanted to go, have an incredible vision and are able to share this vision with other members of the organization. On the other hand, other organisations formalize well documented strategies that are absolutely worthless, because they completely miss the mark (Murage, -2001).

The point is that it is not nearly important whether one goes through a formal strategic planning process than have one that can be easily articulated to the entire organization. The best strategy, if not executed properly is worthless. The goal of all strategic decisions should be to stimulate action (Pearce and Robinson, 1997). According to David (2003), it is always more difficult do something than to say that you are going to do it. Strategic planning has several key potential benefits. First, it provides for a capacity to be pro-active and to respond positively to changes, assists in optimizing organizational performance and results, aid the identification, prioritization of strategic options as well as exploitation of opportunities and threats. It also provides a framework for improved co-ordination and control of activities, a reduction in bureaucracy and the duplication of work as well as act as a basis for clarification of individual responsibilities. Lastly it leads to increased responsiveness to change and the empowerment of employees (Strickland & Thomson 1996).

Porter (1996) argues that strategic planning is invaluable since it provides the central purpose and direction of organization activities, the people who work in it, and often to the world outside. With strategic planning, the company is able to perform current activities whilst at the same time viewing them in terms of their long-term implications. This enables organizations to adapt under conditions of externally imposed stress or crisis because of the changing environment. Strategic

planning is also important in helping organizations develop sustainable competitive advantage, cultivating a forward thinking culture and therefore creating a culture of learning organizations (Murage, 2001).

2.7 Challenges to Strategic Planning

Any strategy needs to be constantly refined to meet new challenges and new opportunities which could not have been foreseen. Strategic planning is key to an organization's future performance. However, there are several challenges that could occur during implementation (Shimba 1993).

Roles and responsibilities should be clearly defined as well as having adequate resources for the planning team. It is also important for the senior leadership to revisit the previous strategic plans and review them. The original plan was formulated under a set of assumptions such as a particular organizational infrastructure, budgetary affluence or constraints, a certain organizational culture, fears, barriers, political considerations, economic factors, technological breakthroughs, resource constraints, etc. When these assumptions change, the strategic plan must be revisited. Furthermore, as goals, strategies, and objectives are accomplished, the organization must continuously set new ones if it is to grow and remain dynamic. Without these updates, the organization may become stagnant. (Hamel & Prahalad 1989).

The strategic planning process should not be rigid and should allow modifications to accommodate the more mature organization. When the senior management decides that there have been significant changes in external and internal factors, the vision or mission may need to be adjusted. The process may also change by altering how the senior leadership team develops the strategic plan.

In case an organisation has new members in senior management, they should be incorporated in the strategic planning process. Coming on board, a new leader is faced with absorbing a tremendous amount of information to become familiar with the new organization: how it operates, who the customers and suppliers are, what the products and services are, the organization's culture, and the organization's strategic planning process. (Regents of the University of California, 1993).

Strategic planning can be ineffective if conducted with poor timing and slow recognition of external forces. The leaders should also learn from previous efforts. Ngumo (2006) argues that in today's world, organizations must be able to quickly create, deploy, and implement breakthrough strategies that help them to continually anticipate and meet current and future customer requirements in a constantly changing environment. This sort of orientation necessitates involvement of all employees and stakeholders in the process that can occur within a shortened time frame.

Many organizations generally conduct an annual strategic planning process for their business divisions and service functions. Porter (1996) argues that strategy formulation should also have the blessings of the top management. After the initial strategic planning process with senior management and operational planning down through the various departments, there should be efforts made to ensure extensive involvement through various discussions and activities with the workforce. That is, more commitment and involvement should produce greater success.

Strategic planning should also be consistent and well integrated to the organizational culture. Every organisation has a unique culture. Culture has its own special history of how the organisation has been managed, its own set ways of approaching problems and conducting activities, its own mix of managerial personalities and styles, its own established patterns of "how we do things around here ", its own legendary set of war stories and heroes, its own experiences of how changes have been instituted. In other words, its own climate, folklore, and organisation personality (Thompson and Strickland, 1987).

Corporate culture can be hard to define, measure, or manage. As a result researchers and practitioners have tended to shy away from placing emphasis on culture considerations when implementing a strategic plan. However, corporate

culture is gaining recognition as an untapped asset for managers and companies alike. The right corporate biology and the optimal balance of people and culture can mean the difference between success and failure (Deshpande and Parasuraman 1986).

CHAPTER THREE: RESEARCH METHODOLOGY

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3.1 Research Design

The research adopted a case study design. It involved collection of in-depth data to understand the strategy process CDTF undertakes in strategy formulation. Conducting this case study instead of a survey had one major advantage. The research responses have more in depth information unlike a survey which involves drawing conclusions about a population by studying a number of units that are representative of the entire population.

3.2 Data Collection

Qualitative primary data was collected for the study. This involved conducting personal interviews within CDTF and key stakeholders whereby interviewees were required to explain strategy formulation practices of the organization. The interviewees consisted of 3 key officials from CDTF and from the 3 Board of Trustees stakeholder offices. The data collection took a period of one month.

During the interviews, key points were noted down by a research assistant and also by the interviewer. The use of qualitative research allowed the interviewer to obtain more in-depth information about how the managers engage in strategy formulation practices.

The interactive nature of this method of data collection enables for clarification and exhaustive coverage of the research questions as compared to another indirect collection method, such as a questionnaire (Bogdan & Taylor 1975). Qualitative data provides a more reflective feel which cannot be experienced in the numerical data and statistical analysis used in quantitative research (Cassell & Symon 1994).

3.3 Data Analysis

Content analysis was used to analyze the data. Content analysis helped elucidate on the feelings of the interviewees on how CDTF carries out its strategy formulation process. The researcher recorded and later analyzed the presence, meanings and relationships of such words and concepts, then made inferences from them. The researcher chose use of content analysis in this research as it looks directly at communication, and hence the central aspect of the interaction. It also provided for a valuable historical insight of CDTF from inception to the present by use of very invaluable statements and explanations.

O-f&CT^FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

4.1.1 Interviewees description

The interviewees consisted of senior programme officials drawn from the programme management unit of CDTF, the National Authorizing Office (NAO) at the Treasury, the department of rural planning at the ministry of planning and the programme officer at the European Union. All interviewees had previous experience in development financing before joining CDTF either in large donor funded projects or at the ministry of planning and Treasury. . Five of the interviewees were senior programme officials whereas only one was a middle level officer. Their experience in planning and development financing averages between 3 to 25 years.

4.1.2 Description of CDTF

It was established that Community Development Trust Fund (CDTF) is a Government of Kenya programme totally funded by the European Union (EU) and established under Legal Notice No. 303 dated 26th March 1996. CDTF was created by a gazette notice and was not a registered Trust. CDTF finances projects in the whole country and has regional offices in Eldoret, Meru and Mombasa. It was found out that the main objective of the CDTF is to contribute towards poverty

reduction efforts in Kenya. Regarding any recent expansions, the interviewees suggested that CDTF has of late been offering support to other sectors such as tourism and environment. A majority of the interviewees (67%) cited that projects supported are found in sectors such as primary education, vocational training, health, water and sanitation, and infrastructure across every district in the country. The researcher also noted that CDTF is striving to build sustainable capacity of local communities to take charge of their own development initiatives. This in return increases their participation in development activities, improves security of their livelihoods, creates employment opportunities and promotes gender balance.

Majority of the interviewees (74%) wished to mention how CDTF is different from other organisations dealing with community development. They argued that in principle, CDTF has a similar objective with other reputable organizations that have a focus on community development. However, CDTF focuses strongly on supporting poverty alleviation initiatives that are demand driven, and build on beneficiary participation to ensure that beneficiaries are fully involved and take charge of their own development. To this end, the CDTF uses a "Community contracting" approach, where funds for implementing approved projects are disbursed directly to accounts operated by the beneficiaries. The accounts are opened and run by a project committee elected by the project beneficiaries.

4.1.3 Funding of CDTF

All the interviewees confirmed that CDTF programme is totally funded by the European Commission (EU). As at August 2006, 560 projects have been funded under the CDP programme and 29 under the BCP programme. In total, CDP is funded to the tune of 12.5m Euro, among which Phase 1 received Euro 4.55m. In total, CDTF Annual funding averages Kshs. 680 million per year. The total allocation for funding for CEF is Euro 8 million, of which Euro 5 million or Kshs 433 million is in form of grants to projects. However the researcher found out that is not 100% sighting a community contribution that is usually mandatory and set at 10%.

4.2 Vision and mission of CDTF

The researcher found out the existence of written documents stating the organization's mission and objectives. The researcher also noted writings of the same on CDTF website, brochures and printed office stationary on the walls of the CDTF office visited.

4.2.1 Communication of the mission and vision

When asked how they came to know of the mission and vision of the organization, majority (74%) mentioned that they learnt the mission and vision of CDTF from various documents and materials while initially interacting with the organization.

These include copies of agreements signed during the formation by GOK and EU, CDTF publications such as periodic journals, programme reports and website. All interviewees unanimously agreed to be aware of the mission and visions of the organization. Internally, the mission is communicated from the founders of CDTF namely the EU and the GOK, through the chairman of the board of trustees, who is the Permanent Secretary, Ministry of Planning and National Development.

4.2.2 Vision, Mission statement and Strategy formulation

To achieve its objectives, CDTF is guided by a vision and a mission. The researcher noted that the vision of CDTF is to contribute to poverty reduction among the poor communities countrywide by enabling them to have access to social and economic services, improved ecological stability, sound environment management and employment opportunities. All the interviewees unanimously agreed that there is a direct relationship between the organization's mission statement and the strategies adopted. They believed that the strategies adopted were all geared towards the mission and vision. A number of interviewees mentioned that the mission had been slightly altered recently to take into account changing factors in the environment. One modification recently undertaken by the Board of Trustees was the decision to give more emphasis on bio-diversity conservation.

4.2.3 Government transition and CDTF's mission

It was established that the NARC government has not affected or changed CDTF's operations because the projects have certain time plans and standing agreements with the EU. However, The GOK is giving more priority in areas such as the provision of free primary education and thus complementing CDTF's efforts. A strong relationship between changes in the political process and in the organizations strategy was noted.

4.3 Strategy Formulation at CDTF

4.3.1 Strategy formulation Process

The EU interviewees made it clear that funding from the European Union to CDTF is guided by the existing EU strategy for Africa. In December 2005, the European Council adopted a new EU Strategy for Africa. It is the first European political framework to address Africa as a single entity and a solid platform to improve the coordination, coherence and consistency of the EU's policies and instruments supporting Africa with those of its Member States. The strategy focuses on how the EU Member States and the European Union best can support Africa's own efforts to promote sustainable development and reach the Millennium Development Goals. The Strategy is built around three strategic themes; promoting peace, security and good governance; supporting trade, regional

integration and improved access to social services (health, education, water, sanitation and employment) and environmental sustainability. African ownership is a fundamental principle of the Strategy, which fully supports the African agenda for peace and development.

EU Development Cooperation in Africa, Caribbean and Pacific (ACP) countries is guided by both by the Lome and Cotonou conventions of which Kenya is a party to and has signed all of them. Kenya is one of the founder member ACP states. In 1975, the Lome Convention involving 46 ACP countries and 9 European member states was established. The ACP Group consists of 79 Member-States which are signatories to the Cotonou Agreement which binds them to the European Union. 48 countries are from Sub-Saharan Africa, 16 from the Caribbean and 15 from the Pacific. The Group was originally created with the aim of coordinating cooperation between its members and the European Union. The Lome Convention, which was periodically revised in 4 successive Conventions, provides a model of development based on partnership, contractually agreed rights and obligations, and predictability of financial support. In 2000, the Lome Conventions were replaced by the Cotonou Partnership Agreement, which will regulate ACP-EU cooperation for the next 20 years. It legally entered into force in April 2003. The Cotonou Agreement is a far-reaching document that defines how the EU and ACP countries mean to cooperate in the fields of aid, trade and political cooperation, in order to fight poverty, support democracy, promote economic growth and integration, and

foster sustainable development. The key principles of the Cotonou Agreement that the EU follows in its funding to Kenya and specifically as guidelines to CDTF's funding and strategy formulation are partnership, ownership, participation, dialogue and mutual obligations.

In regard to partnership, ACP states are responsible for determining development policies and strategies. According to Article 57, (1), Operations financed within the framework of this Agreement shall be implemented by the ACP States and the European Union in close cooperation, the concept of equality between the partners being recognized. Secondly, the ACP States shall be responsible for: defining the objectives and priorities on which the indicative programmes are based; choosing projects and programmes; preparing and presenting the dossiers, preparing, negotiating and concluding contracts; implementing and maintaining the projects and programmes.

In addition to the above, the ACP States and the EU shall be jointly responsible for establishing within the joint institutions the guidelines for development finance cooperation, adopting the indicative programmes, appraising projects and programmes, ensuring equality of conditions for participation in invitations to tender and contracts, monitoring and evaluating the effects and results of projects and programmes, and ensuring the proper prompt and efficient execution of projects and programmes.

Although central governments remain the main partners, partnership is open to new actors (civil society, private sector and local governments). These new partners are entitled to participate in the planning and implementation of national development strategies and therefore have access to financial resources. According to article 56, the principles guiding participation are outlined. Development finance cooperation shall be implemented on the basis of and be consistent with the development objectives, strategies and priorities established by the ACP States, at both national and regional levels. Their respective geographical, social and cultural characteristics, as well as their specific potential shall be taken into account. In addition, cooperation shall aim to; promote local ownership at all levels of the development process, reflect a partnership based on mutual rights and obligations, emphasize the importance of predictability and security in resource flows granted on highly concessional terms and on a continuous basis, be flexible and appropriate to the situation in each ACP State as well as adapted to the specific nature of the project or programme concerned. These shall also be efficiency, coordination and consistency.

Political dialogue is at the core of the agreement, and covers issues such as respect of human rights, peace and security, and serious cases of corruption. This reflects the importance that the EU gives to good governance. A negative assessment of political dialogue* can result in a consultation process, and eventually lead to the suspension of aid. According to article 63, the methods of

financing for each project or programme shall be determined jointly by the ACP State or States concerned and the EU. The Council of Ministers may review, revise and amend these provisions on the basis of a recommendation from the ACP-EC Development Finance Cooperation Committee.

The guidelines from the EU strategy for Africa and the updated Cotonou agreement provide the framework for the Kenya - EU Country Strategy Paper for the period 2003 - 2007. This framework was agreed and signed by the then Minister of Finance, Hon. David Mwiraria and the head of EU delegation Mr, Gary Quince, on 15th October 2003. During these discussions, the country strategy paper and an indicative programme of community aid in favour of the republic of Kenya were drawn up in accordance with the provisions of articles 2 and 4 of annex IV to the ACP-EU Partnership agreement, signed in Cotonou on 23rd June 2000. These discussions completed the programming processes in the republic of Kenya. The country strategy paper and the indicative programme were annexed to the present document. The objective of this Country Strategy Paper (CSP) is to support the government in efforts higher and sustained economic growth and to reduce the higher incidence of poverty. The CSP reviews the specific Government of Kenya (GOK) priorities and development strategy and proposes the specific contribution that the EC can provide.

At CDTF, The key guidance on strategy formulation is the country strategy paper which is drawn up by experts at the EU and the Ministry of Planning in Kenya. From the country strategy paper, the National Authorizing Officer (NAO) being the officer in charge of the EU desk at the Treasury, and the Ministry officials develop the financing indications and finally prepare the financing agreement (FA) which is then sent to the EU head office in Brussels. In Brussels, the FA is reviewed and if it is in order, is signed and approved. The FA is the most important document at CDTF as it has all the information relating to the financing and the operations.

The strategy formulation process is in form of regular workshops and retreats. The Permanent Secretary, Ministry of Planning and Chairman of the BOT, sends a representative while the EU sends a programme officer directly responsible for the project. Within CDTF, the organized workshops are attended by heads of department and only the specific members from the programme are involved in the formulation. It was further noted that a work plan is usually developed every year through interdepartmental financial agreements. Apart from the workshops and interdepartmental agreements; CDTF also has a steering committee which reviews the strategies set before implementation. Thereafter, policies and strategies are taken to the Board of Trustees for discussion and consideration for possible adoption. If approved, the BOT then passes a resolution which is communicated to the Programme Management Unit (PMU) at CDTF.

When asked to state the budget figures for strategic planning, majority of the interviewees (78%) contended that there is usually no budget for strategic planning in the organization. There is no specific amount allocated to strategic planning. There are monthly reports of expenditure which have to be circulated to the National Authorizing Officer at the EU desk at the Treasury, the Ministry of Planning and to the respective programme officer at the EU. When they are approved, CDTF is reimbursed for amounts spent from the programme holding accounts. There is a steering committee meeting that regularly reviews the progress of the programmes. During these meetings, programme leaders submit their requests for need of a workshop or seminar to review progress.

The amount of expenditure utilized in strategy formulation is accounted for in the work plan of every year. Each department submits their estimates and these are included in the annual financial budget for that year. The amounts included must be in line with the existing financial agreements that govern the programme time span. The finance team at CDTF is guided by a manual and handbook with EU guidelines on areas such as financial reporting, legal procedures, procurement, project funding etc. For each program, they liaise with the particular expert at the

The strategic planning process begins by setting the boundaries of the planning process. The mission, purpose and values of the organization are integral to setting the boundaries of the process. All of the decisions considered were found to be intended to advance the mission and purpose of the organization consistent with its values. Each strategic plan was found to have a time frame for the decisions it will consider. Usually a 3-5 year time frame was found to be acceptable by CDTF. It was also established that the strategic planning process at CDTF provides the basis for weighing alternate courses of action against each other to decide what seems to be the most appropriate decision for that period of time. Project officers undergo training on strategy formulation with an aim of making the process faster, effective and efficient. Local and overseas external consultants are regularly engaged to train the local managers. Once a programme is completed, an external consultant is hired to review the success of the programme and makes recommendations.

For CDTF to significantly improve performance, the strategy development process has been continuous and issues-focused so as to facilitate better and faster decisions. When asked whether the strategy formulation is continuous and incorporates environmental scanning and review, the responses were in the affirmative. Article 82 and 83 of the Cotonou Agreement also mentions on the ACP-EC Development Finance Cooperation Committee meetings by the Council of

Ministers of ACP states at least once a year. The Council examines whether the objectives of development finance cooperation are being attained and examines the general and specific problems resulting from the implementation of that cooperation and propose appropriate measures.

The National authorizing Officer (NAO) is the 3rd arm of CDTF and is a signatory to the holding accounts that hold the bulk of the programme funds. The NAO also sits on the Board of Trustees and is a powerful official and the central coordinating power between the EU and the Ministry of Finance and Planning. He is expected to be a very efficient and proactive person and he leads a team of qualified economists in the negotiations, co-ordination and regular review of EU funded projects. During the signing and adoption of the Kenya - EU country strategy in October 2003, it was agreed that in accordance with Article 5 of Annexe IV to the ACP-EU partnership, the National Authorizing Officer (NAO) and the Head of Delegation shall annually undertake an operational review of the indicative programme and undertake a mid-term review and end of term review of the country support strategy and the indicative programme in light of current needs and performance. At CDTF, the program management unit regularly holds workshops and retreats for strategy review. The Head of each programme normally organizes for this event with a specific agenda.

At CDTF, strategic planning involves an approach having both external and internal focus. The interviewees from the Ministry pointed out that Community Development Trust Fund (CDTF) is one of the departments of the Ministry of Planning and National Development. They reiterated that the strategic planning approach at CDTF is guided by the overall Ministry of Planning and National Development strategic plan for the years 2004/05-2008/09, contained in a policy document titled "The Effective Implementation and Monitoring of the Economic Recovery Strategy for Wealth and Employment Creation (the ERS). This document contains guiding policy sections covering issues such as; overview of the economic policy framework, the ministry's role, mandate and functions, a brief historical profile of the ministry, an overview of the ministry's performance, lessons learnt, a justification for the strategic plan, and the strategic planning process. The policy document further documents the situational analysis at the ministry covering areas such as statement of vision, mission statement, goals and core values, SWOT analysis, current ministerial organizational structure and functions and the stakeholder analysis. The Ministry provides leadership in policy formulation, co-ordination and implementation of sound economic policies for sustainable development. The mission statement notes the mission of the Ministry is to lead in policy formulation, co-ordination and implementation of sound economic policies for sustainable development Goals. This Strategic Plan is the outcome of a consultative process carried out by a team of experts under the direction of

Director of Planning, the Minister for Planning and National development, the Permanent Secretary, facilitators and consultants who assist with the crafting the conceptual framework, the action plan and the draft plans. The process involves a series of workshops and consultative meetings.

4.3.2 Communication of strategic decisions

It was established that the Board of Trustees (BOT) at CDTF is involved in making strategic decisions and most of the trustee strategy meetings are held at the CDTF Boardroom. Retreats are held only when there is need to discuss serious issues such as new programmes. The decisions are futuristic, have both external and internal focus and are long term. Such decisions are communicated to the programme management unit who in turn communicates them to the programme managers for transmission to the employees who implement them. In most cases the communication tools used include internal memos and e-mail, verbal interactions, mentions during regular employee meetings and workshops, and by reading CDTF internal publications. As such internal memos and e-mail were rated as the most effective means of communication in the organization as they greatly assisted in top-bottom communication, while bottom-up communication was mainly through the regular meetings.

4.3.3 Scanning the environment

Environmental scanning as an important tool in strategy formulation. Internal analysis at CDTF is aimed at establishing the strengths and weaknesses while the external analysis involves examining opportunities and threats. Key among these is the conduct of a stakeholder analysis. Principal stakeholders for CDTF include the Ministry of Planning and National Development, The Treasury, the EU, the funded projects, employees, other development partners, private sector players and the Kenyan citizenry in general. In an attempt to fulfill its mission and objectives, CDTF regularly conducts an internal and external analysis so as to establish its strengths, weakness, opportunities and threats (SWOT).

Regarding opportunities, the ability to formulate more suitable strategies for sustainable poverty eradication and rural development, the persistence of poor economic performance in the country, coupled with increasing poverty levels, create a good opportunity for CDTF to mobilize and fully utilize its resources. A major opportunity is the renewed goodwill from the development partners such as the EU. Most of the country's development partners have significantly changed their perceptions about Kenya since the advent of the NARC Government. There is now increased goodwill following the fulfillment of key conditions set by the donors.

4.4 Challenges in strategy formulation

CDTF faces in various challenges in formulating effective strategies, and these include several threats and weaknesses. The weak governance and management systems in the public sector pose a great challenge to the development of the country as they tend to misallocate scarce resources such as causing delays and thus increasing the cost of projects. Corruption has been a major challenge. About 10 CDTF funded projects have misappropriated funds and this becomes a legal process. The local community is responsible for filing the case when reported and the criminal investigation and prosecution process takes time. The political environment has affected some decisions regarding funding and implementation of projects such as land clashes and violence during political campaigning. The prevalence of natural disasters like drought and flooding poses threats to economic recovery and poverty reduction programmes in the country.

The parent Ministry of Planning has inherent weaknesses that directly pose challenges to CDTF. These include the lack of adequate physical facilities, equipment and also lack of adequate office space to accommodate its entire head office staff at the treasury building. For CDTF, the Location of key staff in eight different city buildings has seriously constrained consultation and communication with key stakeholder officers. There are also limited policy guidelines for communication and dissemination of information to stakeholders and staff. Policy

documents published by the Ministry which have very vital information and data, often do not reach all Stakeholders in time. At the Ministry, there is also a lack of an effective framework for policy formulation, coordination and management. This leads to ineffective guidelines or a blue print for coordination of local and national policies, leading to poor implementation of projects and programmes.

At times, there is slow disbursement of funds by the EU, mainly because of pending or emerging governance issues. Sometimes, the EU will make a strong commitment for funds on a particular programme and then not fulfill the commitment on time. There are instances whereby committed funding is delayed due to tying of the funding to issues such as the need for democracy, more constitutional reforms etc. This leads to delays in disbursements of funds for already appraised and approved projects. Another challenge cited was on the response from the finance experts where the review and approval procedure of the financial documents was found to be not only cumbersome, but also as involving a lot of paper work.

The EU is committed to assist the ACP States in the development of national and regional manpower resources. These include the sustained development of the institutions critical for development success, strengthening ACP consulting firms and organisations, as well as exchange arrangements involving consultants from

both ACP and EU. However, several of the interviewees dealing directly with the EU consultants and technical experts mentioned that at times, the seconded EU personnel have limited expert knowledge and experience than the GOK officers and local donor project managers. There is a slight feeling of "imposition" from the EU of officials who may not be very competent. The interviewees also mentioned that when dealing with the EU on a number of issues, they encountered a lot of bureaucracy and slow responses. They alleged that on many occasions, documents take about 2 weeks or more to be acknowledged and acted upon. They further reiterated that there is a need for the EU to reform and become more professional so as to improve turn around times. It was also noted that at times, there are clearly evident diversity differences visible at the EU with staff of different European nationalities not getting along or having disagreements. However, dealing with the EU becomes easier at times when there are effective, pro-active and understanding officials.

©tAftc^ 5: SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Summary

5.1.1 Challenges that CDTF has faced in formulating effective strategies.

There were several challenges encountered at CDTF. These include weak governance and management systems in the public sector, corruption, unstable political environment, prevalence of natural disasters like drought and flooding. Others also identified include inherent weaknesses within the Ministry of Planning that directly pose challenges to CDTF. These include the lack of adequate physical facilities, lack of clear policy guidelines for communication and dissemination of information to stakeholders and staff, lack of an effective framework for policy formulation, coordination and management. A few challenges relating to the relationship with the EU were also noted. These include the slow disbursement of funds mainly because of pending or emerging governance issues, limited expert knowledge, experience of consultants and technical experts. This leads to a slight feeling of "imposition" from the EU of officials who may not be very competent. All the respondents believed that there is an urgent need at the EU to reduce bureaucracy and become more professional as this greatly affected turn around times, which directly affected performance at CDTF.

5.1.2 Strategy formulation process at CDTF

The qualitative method allowed the researcher to directly engage the respondents in conversations, thus capturing the realistic strategy formulation process more accurately and thoroughly. These across the table interactions provided more authentic and open answers and they described the formulation process as it is in place at CDTF. From the findings, it was established that strategy formulation follows a defined process. CDTF formation and operations guidelines are contained in the various bilateral agreements signed between the Government of Kenya and the EU. The NAO and the CDTF programme coordinator reiterated that in every funding, there is an underlying agreement which acts as the reference manual for the EU and the Ministry of Planning. In any major donor funding negotiations, there are 3 budget consultations before presentation to parliament. The Treasury only factors in serious commitments and not promises. They cautioned that it is not always good to blindly believe the media and politicians when they comment adversely on issues touching on the Government and donor relationships.

5.2 Recommendations

One of the most pressing issues in Kenya today is how to reduce the prevalence and incidence of poverty. This reduction requires stakeholder participation, especially local communities, the private sector and the development partners in strategy formulation. The key objective therefore, is to put in place measures that

can improve policy formulation, planning and implementation for national development initiatives such as those performed by CDTF. This calls for the establishment of a participatory, transparent and an accountable public policy-making framework. It also calls for a supportive framework for national planning, coordination and reporting.

It was recommended that the Board of Trustees and the programme management unit of CDTF could do more to improving strategy formulation by championing the improvement of a participatory, transparent and an accountable framework. This will result in full stakeholder involvement in the formulation and planning processes. The researcher found that a majority of the interviewees favored a strategic planning process divided into two segments: strategy formulation and strategy implementation. Strategy formulation should be done first, followed by strategy implementation. Allocation of sufficient resources (financial, personnel, time, and computer system support) should then be done to finance the plans.

5.3 Limitations of the study

The case study depended entirely on interviews and discussions with top programme officials involved in the operations of CDTF. It would have been of value to obtain the views of other stakeholders, such as suppliers, consultants, project beneficiaries, auditors, the Head of the EU and even the Minister of Planning and National Development. Unfortunately, the researcher was not able to

interview the officer in charge of the CDTF programme at the EU as she requested we obtain the information indirectly from the EU website and the Ministry of Finance and Planning.

5.4 Suggestions for further study

This study concentrated on strategic formulation at Community Development Trust Fund (CDTF), However future research should be focused on strategy innovation in the same organization to provide an insight on how the challenges currently faced can be solved. More study should also be conducted to evaluate the strategy implementation and review process and the challenges faced therein.

The researcher highly recommends using qualitative data collection including content analysis in future case studies. This would ensure high reliability of data, understanding the contextual aspects of the research, flexibility and openness of the data collection, as well as more holistic interpretation of the research problem. The EU should also be more flexible, responsive and accommodative to future local researchers. There should be a clear and friendly official procedure to follow in requesting for an interview with an EU official. More case studies should be done in other similar organisations so as to provide a broader view of strategic formulation in donor funded programmes.

5.5 Conclusion

These main research objectives were to establish the various challenges encountered by CDTF and to document the strategy formulation process. From the content analysis results, the researcher established that the key principles of the Cotonou Agreement are used as the underlying funding guidelines between the EU and GOK. These principles were evident in the strategy formulation process at CDTF. The respondents emphasized that the success of CDTF in achieving its mission, would depend on how well the Cotonou agreement principles of partnership, ownership, dialogue and mutual obligations were understood, accepted and respected. Operations financed within the framework of this Agreement are implemented by the CDTF and the EU in close cooperation, the concept of equality between the partners being recognized. From the research, EU cooperation is deemed to promote local ownership at all levels of the development process and also reflect a partnership based on mutual rights and obligations. Political dialogue is at the core of the agreement, and covers issues such as respect of human rights, peace and security and serious cases of corruption.

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