

**A SURVEY OF CAPACITY BUILDING STRATEGIES  
IN THE STATE CORPORATIONS IN KENYA**

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**BY  
FRANCIS INDEGE**

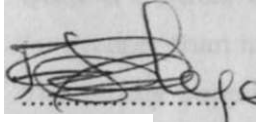
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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN  
FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION,  
UNIVERSITY OF NAIROBI**

## DECLARATION

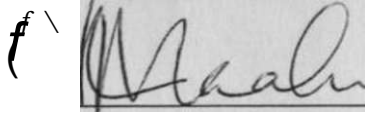
This project is my original work and has never been submitted for a degree in any other University.



FRANCIS NDEGE

Date \_\_\_\_\_ Whj D o i c

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



Date...r^T...././..!

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## **DEDICATION**

This project is dedicated to my family who have been very understanding in my pursuit of knowledge.

In early school days, to wake up early each morning was a struggle.

Quite a number of times, my parents and auntie uplifted me in many ways far greater than my achievements.

The family support and encouragement instil in me a desire to pursue my dreams.

This work is for these special people.

## **ACKNOWLEDGMENT**

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Distinguished amongst them is my supervisor, Mr. Jackson Maalu, who accorded the privilege of his time and knowledge. His professional guidance was valuable and helped me shape this project to its current format.

My special thanks goes to my friends, and to colleagues at the University and my place of work whom I consulted regarding their experience on research work. This was an opportunity insight into research study experiences. I make my special tributes to the Lecturers whom I called upon, and Staff who contributed to the programme. Thanks to the respondents for their cooperation that has made data collection process a success.

Sincere thanks to my employer for the support. I am also indebted to my mother and the entire family for standing by in the gap for me during the challenging period.

Through this experience I have been humbled by the words of the Lord.

I thank God for his guidance.

## **ABSTRACT**

The survey focused on practices of capacity building strategies in the state corporations in Kenya. Capacity building is the transformation of a nation's ability to effectively implement policies and programmes. It has been identified as the missing link and necessary precondition for the success of socio- economic development strategies. It is a critical element for sustainable development. However, little or more is known of the status and capacity building strategies of state development corporations. The survey sought to establish capacity building strategies and finding out the variables which influence strategies in the state corporations. Data was collected from fifty out of one hundred and twenty five state corporations.

A designed five-sectioned questionnaire was administered to the randomly selected corporations from the list of state corporations that formed a basis of sample frame of this survey.

Key strategies and practices surveyed relate to aspirations, structure, human resources management, strategies development, organizational systems and infrastructure. This being an explorative study, descriptive statistics were used to establish the awareness and factors influencing capacity development strategies.

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## ACRONYMS AND ABBREVIATIONS

<b>SCs</b>	- State Corporations
ADC	-Agriculture Development Corporation
AFC	-Agriculture Finance Corporation
CBK	- Coffee Board of Kenya
CMA	- Capital Markets Authority
CDA	- Coast Development Authority
CHE	- Commission for Higher Education
EPC	-Export Promotion Council
ERB	- Electricity Regulatory Board
ICDC	- Industrial and Commercial Development Corporation
KBS	-Kenya Bureau of Standards
KDB	- Kenya Dairy Board
KIE	- Kenya Industrial Estate
KIPI	- Kenya Industrial Property Institute
KIRDI	- Kenya Industrial Research and Development Institute
KLB	- Kenya Literature Bureau
KMA	- Kenya Maritime Authority
KMSA	- Kenya Medical Supplies Agency
KTDA	- Kenya Tourist Development Authority
KUC	- Kenya Utalii College
KFS	- Kenya Ferry Services
KMFRI	- Kenya Marine and Fisheries Research Institute
KPA	- Kenya Pons Authority
KRC	-Kenya Railways Corporation
KRC	-Kenya Re-insurance Corporation
KU	- Kenyatta University
KVDA	- Kerio - Valley Development Authority
LBDA	- Lake Basin Development Authority
NBK	-National Bank of Kenya
NCPB	- National Cereals and Produce Board
NEMA	-National Environmental Management Authority
NOCK	- National Oil Corporation of Kenya
NGO	- Non - Governmental Coordination Bureau
PCK	- Postal Corporation of Kenya
TKL	-Telecom Kenya Limited
TARDA	- Tana and Athi Rivers Development Authorities
UN	-University of Nairobi
AAPAM	-Association of African Public Administration and Management
ACBF	- African Capacity Building Foundation
ACBI	- African Capacity Building Institute
CEO	- Chief Executive Officer
CSRPF	- Civil Service Reform Programme
DPM	- Directorate of Personnel Management
DFID	- Department of Finance and International Development

GTZ	- German Technical Assistance
HRM	- Human Resource Management
JPC	- Joint Permanent Cooperation
KBV	- Knowledge Based View
NGO	- Non-Governmental Organization
NIPA	- National Institute of Public Administration
NORAD	- Norwegian Assistance Development
RBV	- Resource Based View
SIDA	- Swedish international Development Assistance
SBU	- Strategic Business Unit
UN	- United Nations
UNDP	- United Nations Development Programme
USAID	- United States Agency for International Development
WB	- World Bank

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background**

This chapter covers an overview of significance of capacity building and its elements that impact on the organizations. The origin and significance of capacity building developed with advent of the aid era following World War II. The Marshall Plan initiated support of rebuilding Europe. The established model supported and generated an overly simplistic and optimistic view of what worked (Kay and Sheltinga 2000) transfer capital and know-how to other countries and swift economic development followed (Fuku da- Parr 2000). Subsequent experience showed that this view underestimated the importance of local knowledge and institutions in the process of economic development and was compounded by aid driven by politics rather than results. Aid was criticized for undermining local capacity rather than building it, ignoring local wishes and favoring high profile activities.

### **1.1.1 Concept of Capacity Building**

Capacity building was referenced in the early studies, for example manpower planning and educational developments that were the earliest norms. Government and donors agencies applied programming and planning techniques to determine the types of skills and supply of skilled personnel needed to foster growth and development. Since skilled 'Manpower' was a major constraint, attention was directed to the efforts to use the existing supply more effectively and to fill the manpower gaps through additional training or technical assistance. (Hoover and McPherson, 1999). Capacity contains many elements broken down into "hard" and "soft strategies". The "hard" elements refer to factors such as skills, structures, systems equipment, infrastructure and financial and natural resources. The 'soft' elements refer to less tangible variable such as incentive or motivational factors of a material or cultural as well as social cohesion and social capital (Chrotiz UNDP **2002**).

The Organization level pays attention to organization structures processes, resources and management issues and how these are connected to the other capacity levels. The United Nations Development Programme (UNDP) regards "capacity development (building) as the process by which individuals, groups,

organizations, and societies increase their abilities: to perform functions, solve problems and achieve objectives, to understand and deal with their development needs in a broader context and in a sustainable manner". The World Bank sees capacity development more as investment in human capital, institutions and practices. CIDA recognizes the role of both donors and

borrowers. Capacity development refers to the approaches, strategies and methodologies used by developing countries and/or external stakeholders to improve performance at the individual organizational network sector or broader system levels".

United Nations advocate for partnership development since it is an essential mechanism for capacity building, UNDP (1992). Capacity building is more than training and includes human resource development, the process of equipping individuals with the understanding, skills and access to information, knowledge and training that enables them to perform effectively: organizational development, the elaboration of management structures, process and procedures, not only within organizations but also the management of relationships between the different organizations and sectors (public, private and community): and institutional and legal framework development, making legal and regulatory changes to enable organizations, institutions and agencies at all levels and in all sectors to enhance their capacities.

Kay and Sheltinga (2003) a shift is on emphasis to seeing developing countries own programmes and work together with donors in the spirit of teamwork. Most countries evolved organically building their own capacities. The national capacity is more than the sum of the capacity of individuals, which points to the importance of people working in organization and networking. It is known as social capital and in its crudest terms, it means the more people trust each other, the better of their society. Economist 2003 acknowledged this as addition to natural resources, the rule of law and the free interplay of markets to guide the selfish human actions in serving a society's common goal. Dia (1996) cites that the institution disconnect goes back to the colonial period when modern institutions were transplanted from outside and superimposed on the existing indigenous institutions of Africans. In another instance (Parr 2000) points that AID was criticized for undermining local capacity. Ahmed (1975) echoed that projects undertakings in developing countries concentrates on technical, financial and economic analysis. Younker (1989)

confirms that exclusion of social realities leads foreign AID and international agencies to the project than the potential beneficiaries. Dia (1996) further cites that challenge for a capacity building programme is how to bring about reconciliation of the two systems to achieve synergy that allow dual system to work effectively for the promotion of development in Africa. The impact of two systems is greater than the sum of the individual elements. A Strategy for Water Sector Capacity Building in Delft, the Netherlands Delegates from Developing Countries, ESAs and supporting Institutes (1991) defined 'Capacity Building' as the creation of enabling environment with appropriate policy and legal frameworks: institutional development, including community participation (gender in particular) and human resources development and strengthening of managerial systems. Human Resource Management Strategy in the Public Service of Canada emphasizes on implementation of Public Service Modernization Act of 2003 to facilitate integration of human resources planning; and developing tools for employees and management to ensure that respect for our values and ethics is an integral part of all operations (Moniaue Boudrias 2004). Implementation arm of development programmes is always supported by the Government. The overall objectives of indigenous capacity building in the programme are to develop and improve national and relate sub regional and regional capacities and capabilities for sustainable development, with the involvement of government sectors, UNDP (1992). Joint Permanent Corporation [JPC] between Government of Kenya and Sudan, and Kenya and Rwanda are such regional initiatives under the purview of the Kenya Ministry of Foreign Affairs.

Capacity Building in developing countries intensified following the publication of the World Banks 1989 Study on Sub-Saharan Africa from crisis to sustainable growth. Development specialists had to focus systematically on the host of activities some dating from the 1950's related to "capacity creation" or "capacity enhancement". (Hoover and McPherson 1999). The World Bank (WB) provided \$9 billion in lending and close to \$9000 million grants and administrative budget to support public sector capacity building in Africa between 1995 and 2004 to improve their performance (World Bank 2000). This yielded establishment of promotion of the "Africa Capacity Building Initiative" (ACBI) designed to create an institutional structure for improving Capacity Building Foundation (ACBF) in 1991. The World Bank initiative made capacity building focal point, the bilateral agencies (USAID, ODA, SIDA, NORAD, GTZ/ kwf, the French CFD) and others that have been funding

related efforts throughout Africa for many years (Africa Capacity Building Institute 1990s).

In Africa, capacity building was identified as the "missing linking" (Jaycox 1993) a necessary precondition for the success of major socio-economic development strategies (Moharir, 1994), and 'critical to the development of sustainable development programmes' (World Bank, 1989, 1996). The paradigm of structural and institutional disconnect refers to the failure of Africa's institutions to adapt to a change in social, economic and technological environment. In South Africa the development of human resource in the Public Service Reform seeks to identify basic approaches and concepts that might be informative to other countries but not focusing on experience. (World Bank 1997).. On attaining independence (Mike Stevens 2005) Botswana literally had a handful of Botswanas in the service who were, to build a new Botswana Civil Service resulting into efficient and successful middle income country in Southern Sahara Africa. Gambia, Ghana and Guinea were the first countries in Africa to undergo donor supported Civil Service Reform Programmes, in the late 1980s. (Mike Stevens 2005). In Zambia capacity building began to develop all levels of the work force due to shortage of skills. (Hoover and McPherson 1999). The National Institute of Public Administration (NIPA) of Zambia considers public sector capacity building to be fundamental component for sustainable human resource, social and economic development (AAPAM 2005).

The term, capacity building means different things to different people despite this limitation. There are four related elements that provide a general framework on the salient features of capacity building. Capacity building is the process of transforming a nation's ability to effectively implement policies and programmes for sustainable development. Civil Service Reform means change of systems, organizations and process (Mike Stevens 2005). In Kenya Government, the Civil Service Reform Programme (CSRPF) was instituted in 1993 as a result of Sessional Paper No. 1 of 1992 since independence 1993. Civil Service Recruitment Policy has been evolving to meet the demands and strategies of National Development in light of Sessional Paper No. of 19. Information available reveals the civil service nominal roll grew rapidly from 1963 to early 1990s. The Civil Service plays a critical role in the social and economic development of Kenya as well as in the maintenance and improvement of existing public service. In 1990's, it is noted that implementation

of Public Sector Reforms began to enhance efficiency and productivity in the public service.

The Civil Service is the policy implementation arm of the Government, guided by public policy, the attendant development plans and circulars in the execution of this role. Government Ministries/ Departments undertake capacity building for sustainable socio- economic development; and Public Corporations extend performance of certain services of the Central Government to the nation. Public Service Reform is major and integral component of the wider Public Sector Reform Programme. The public service comprises of the civil service, teaching and public university services, local government service, the disciplined services (excluding the military) and all those employed in state corporations and other public institutions whose salaries are funded through the Exchequer. *(DPM 2001)*.

In Kenya, the Public Sector Management Reform encompasses Public Sector Management incorporating Local Government Management Reform, Financial Planning and Budget Reform, Public Service Reform and Parastatal Reform In addition to Legal and Judicial Reform. These fall within the Public Service Reform Initiatives. One of such initiatives is the National Land Policy Formulation Process 2004 under coordination of Government Ministry of Lands and Housing. Capacity Building has been dictated by prevailing government development priorities. Policy on training and staff development is guided by Policy Guidelines issued by the Directorate of Personnel Management (DPM) in the Ministry of State for Public Service, Office of the President. It is noted that the government policy on training and capacity building streamlines training needs and addresses development needs particularly in reducing poverty. Transforming the country into an industrialized state by the year 2020 and reducing poverty by the year 2015 are among development priorities *(Office of the President 2002)*.

Directorate of Personnel Management is the central government agency in human resource management and development in the Public Service. Its mandate is to provide specialized services and advice to the government ministries, departments, local authorities and state corporations on human resource management and development. Its finance and administrative functions is to control, manage, budget and provide resources to the corporate organization to enhance performance. In order to accomplish these objectives, the DPM consults and collaborates with the



Public Service Commission of Kenya, Treasury and Ministries/ Departments, and Inspectorate of State Corporations including Permanent Presidential Public Remuneration Review Board of 2003 to establish programmes aimed at optimization of productivity of Civil Service and Public Sector. The Public Service Commission has the responsibility with appointment, promotion, and the exercise of disciplinary control in the Civil Service (Code of Regulations 2006) in the light of Service Commission Act Cap 185 of Laws of Kenya. Factors that influence capacity building in brief entail aspirations, strategy, organization skills, human resource development, system and infrastructure, organizational structure and culture.

### **1.1.2 State Corporations in Kenya**

The State Corporations are linked to the Government Ministries/ Departments. They are Quasi- Government Agencies affiliated to Government operations. The corporations are semi- autonomous institutions termed as Non- Profit Organization. The State Corporations and Agencies are established by a Statute or an Act of Parliament in pursuance of Government Policy or various Acts with reference to State Corporations Act Cap. 446. They are connected to the Central Government by virtue of their functions and they work in close cooperation with appropriate government department and deliver services according to Government Policy. In order to sustain themselves and contribute to social economic of the nation they make operational profit and sustain themselves. The overall responsibility for co-ordination of the State Corporations is under Inspectorate of State Corporations, Office of the President. Public Service Reform is under the Public Sector Reforms and Development Secretariat in the Office of the President. Initiatives taken by the Government in line with the reform agenda include the introduction of the Performance Contract, Result Based Management, Rapid Results Initiatives among others in the Public Service (Directorate Personnel Management 2006).

### **1.2 Statement of the Problem**

Capacity building is a necessary condition for success of any socio- economic development while there is still a lot of intent in examining it. The capacity building concept appears unclear as viewed in relation to organization development. It implies to what extent the public corporations have developed adequate capacity building strategies to manage provision of public goods or services in order to achieve their mandate.

The state corporations have experienced a number of external and internal constraints. The major operational and administrative constraints range from *inter alia* inflexibilities introduced by donor countries and agencies. These include high staff turnover resulting into low morale, low salaries, poor work organization, inadequate personnel management policies and practices. These constraints have tended to hinder the efficient and effective functioning of the public enterprises and are attributed to poor performance of the economy, imprudent management by public enterprises themselves, lack of donor and inadequate exchequer budgetary support, and liberalization of the Kenyan economy during the period 1990- 2002. In 1993, the Government of Kenya initiated Public Sector Reforms in order to enhance the performance of State Corporations culminating with the public sector capacity building which is a positive on- going task. The state corporations have set their objectives with focus to capture financial (operational) and strategic performance. The objective includes economic, survival, profit, growth and service. The strategic management has aligned the internal capability of the state enterprise with external demands of their environment. The strategic objectives of the state corporations have been to boost, give priority to the development and strengthen the human resource base. The restructuring of their human resource base include configuration of experienced staff to rationalization to meet the requirements of addressing performance related reward system, poor remuneration, inappropriate corporate culture and underdeveloped staff skills, as the key areas of improvement. Most State Corporations appear to have developed their Strategic Plans. Each has defined its Mission Statement specifying fundamental, unique purpose that sets a business apart from other firms or public enterprises and identifying the scope of operations in product or service delivery and market terms. The state corporations' missions embody business philosophy of strategic decision makers: image of the state corporations seek to project, reflect the state corporations self - concept, indicate the principal product or service areas and primary customer or public needs that satisfies them. The public corporations describe the product or service, market and technological areas of emphasis for the business. The strategies in place have aligned the internal capability of the State Corporations with external demands of their environment due to performance contract. The capabilities have been developed to allocate human and material resources effectively.

The strategies implemented form the basis to formulate and implement strategies that achieve the state corporations' goals and objectives. Emphasis of the

corporations is on performance measured in terms of better running of the organization, improving job holders performance, planning their career, and assisting the job holders to evaluate their performance results and develop themselves in to order execute effective service delivery.

### **1.3 Objective of the Study**

The objectives of the survey are two- fold,namely:

- i) To establish capacity building strategies in the state corporations.
- ii) To find out factors/variables that influence capacity building strategies in the state corporations

### **1.4 Importance of the Study**

- i) To provide information on capacity building strategies in the state corporations that enhances service delivery.
- ii) To synthesize information on capacity building which would form a basis of reference to other researchers
- iii) To provide critiques on information regarding a view to knowledge and stimulate further research in other aspects of capacity building strategies.
- iv) **To inform policy formulators in the area of capacity building in state corporations**

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Significance of Capacity Building

This chapter addresses significance of capacity building strategies in achieving sustainable organizations. It aims at highlighting available literature on the meanings of capacity building, capacity building framework, basis for identifying and developing institution capabilities and capacity based strategies that may be developed to sustain competition in a turbulent environment and emphasis on the conceptual framework of Capacity Building Strategies.

Strategic development provides a base for managerial decision-making. Strategic plan entails long- term goals and objectives that the organizations adapt in the courses of action and allocation of resources necessary for carrying out its objectives. The goals and objectives of an organization set out the direction for its future. The strategic plan is concerned with organizations basic direction with regard to its purpose, ambitions, and resources and how it interacts with the world in which it operates (Thomson Strickland 1988).

The strategic management as a management tool requires to be reinforced with resources and knowledge. Organization's resources include physical capital, human capital, organization capital and a mixture of tangible and intangible assets, skill or competences (Hall, 1993) however few the resources are productive in isolation. Productivity comes from the application and coordination of resources, hence it comes from capability. Grant (1991, 119) posits, while resources are the source of the organization's (state corporation) capabilities, capabilities are the main source of competitive advantage. The Resource Based View (RBV) and Knowledge Based View (KBV) of the organization (state corporation) regard organizations as a 'broader set of resources (Weanerfelt 1984, p. 171). It is a perspective on strategic management with an emphasis on internal analysis, and an attempt to address a perceived imbalance with Porter's (1980, 1985) 'positioning school (Browne 1994). The resources and knowledge are complementary aspect of the strategic management process (Henderson and Cockborn 1994). It is argued that combinations of resources in the form of capabilities are development, integrated, protected and exploited to give competitive advantage (Barney 1991). Zack (1999) states "what a firm knows is a resource" and what a firm knows how

to do is a capability.

Competence on its own is not sufficient to deliver a sustainable competitive position (Porter's View 1996). This view is closely aligned with the Resource Based View. Superior performance comes from an organization's capacity to create and exploit capabilities not available to competitors (Barney 1991). According to Resource Based View (RBV), strategic resources within the organizations are heterogeneously distributed and less, mobile between firms, (Barney 1991, Teece, Pisano and Shuen 1997). If resources were homogeneously distributed, all firms in the industry could conceive of and execute common strategies (Barney 1991, Grant 1991). The organizations that base their strategies on intangible assets out perform those with strategies based only on tangible assets (Barney 2001). This emphasizes the need for knowledge management as an adjunct to the strategic management process.

*The conservative approach and dynamic capabilities approach are the two 'schools' within Resource Based View (RBV).* The first suggest that organizations or state corporations focus on what they are good at, whereas the latter advocates for competences that determine strategies resulting into diversification as an opportunity to generate or acquire new competence. This should be solved through recruitment, training, mergers and acquisitions, or horizontal or vertical integrative. Due to changes in technology, politics, economics and business models, most markets today are dynamic (Robbin et al 2000). To survive, organizations need the capacity to match anticipated or even create marked change, Hamel and Prahalad 1994; Hamel (2002).

The dynamic market demands of dynamic response (Teece, Pisano and Shuen 1997), requires organizations to adapt through the development of new knowledge to generate new skills and capabilities (Andriessen 2004), ensuring that the firm's resources base will suit future requirements (Grant 1996). Organization (firm's), like other social entities, evolve through the adaptation of their organizational knowledge, which is comprised of the collective knowledge of its people, and the organizations (firms) capabilities (Spender 1996). The organizations that do not have the capability to develop new competences would opt to source tradable competences although the cost of acquiring competences may nullify or outweigh the benefit of such acquisition (Teece, Pisano and Shuen 1997). Organization resources when combined through, process, activities or routines create the organizations capabilities. Grant (1991). Superior skills

and resources on its own are not enough for sustained competitive advantage. This combination of resources and capabilities represents "the collective learning of the organization (Hamel and Prahalad 1990), and it is through learning that sustainable competitive advantage is achieved (Grant 1991).

Knowledge is the key resource (Gehani 2002) in a rapidly changing global market culminating into development of innovative services, products and solutions required to attract and retain customers and overtake the competition. Knowledge is used to produce products or services (Boisot 1999). It adds value, gives a competitive edge, offer potential for sustaining the future, in market, and controlled by the organization (Andriesson 2001). The Knowledge Strategy entails strategic plan, performance and results that contributes to the organisation's knowledge strategy (Callaham 200). The knowledge strategy is also known as an intellectual capital statement (Thorjornsson e-tal 2004, Zack 1999). Like competitive strategies, knowledge strategies may be intentional or emergent (Mintzberg 1996). Technical skills and capabilities are insufficient to make the organization competitive; rather this knowledge should lead to coordinated, productive and efficient action. Capabilities should ensure to deliver productive output (Liebeskind 1996). Weng and Lo (2003, p. 499 - 502) advocate for technological, market and communications; and integrative capabilities the later being the major contributor to core capabilities.

Knowledge that resides in the organizational capabilities determines the level of the organization's performance. The capabilities are routines or patterns of behaviour which are the products or services and repositories of organizational learning and knowledge (Nelson and Winter 1982). Organizational learning is an intrinsically social and collective phenomenon, (Teece et al 1994, p 15) involving joint problem solving and coordinated search. Organizational learning is also cumulative and path dependent, since what is learnt and practiced is stored in routines (the organization memory) (Nelson and Winter, 1982 p, 99) and expressed in the organizations capability (Hilliard and Jacobson). Japanese management emphasis is on labour, social, intense training, operation communication and continuous training.

An organization need to use a balanced scorecard to balance criteria of performance since it is a measurement system that strikes a balance between financial and operating measures, links performance towards, and gives explicit recognition to the diversity of

stakeholder interest. Use of balanced scorecard focus management attention on items subject to action on a month-by-month and day-by-day basis, (Horngren 2000). To a certain level, performance of the organization requires measuring the efficiency of unit, its total costs, its total capacity for handling work and its actual work out. Garrett 124 (1980)

Human resource development process equips individuals with the understanding, skills and access to information, knowledge and training that enables them to undertake performance effectively. In order to implement Strategic Plan, it requires provision of human resource. The human resource system is a strategic and coherent approach to management of organization's most valued sets- the people working in the organization. Armstrong (1994), the organization competition depends on human talent and capabilities of employees have impact on performance or else human resource practices and performance would be minimal. Human resource strategy creates sustained competitive advantage since it minimizes the contribution of the organization (Public Corporation) toward the same goal, thereby creating value for share holders (Becker, Huselid, Ulrich, 2001). In broadest interpenetration, capacity building encompasses human resource development (HRD) as an essential part of development the fact that there are direct and different implications for any subject on capacity building. It is generally recognized that a country's human resource capacity for productivity is a pre-requisite for social and economic development, Crowder (1996)

## **2.2 Capacity Building Framework**

Open System Theory is the view of organization during the 1960's as open social systems. Organizations were free to enter and leave the environment that was influenced by environmental forces (Hezberg's Motivation Theory). Porter (1984) organizations are open systems consisting of sub-systems, which interact with one another and with the external environment (Kaplan 1999). An organization that understands its world develops a conceptual framework and attitude that shifts it from "playing a victim" to confidence if its capacity is to address the changing environment.

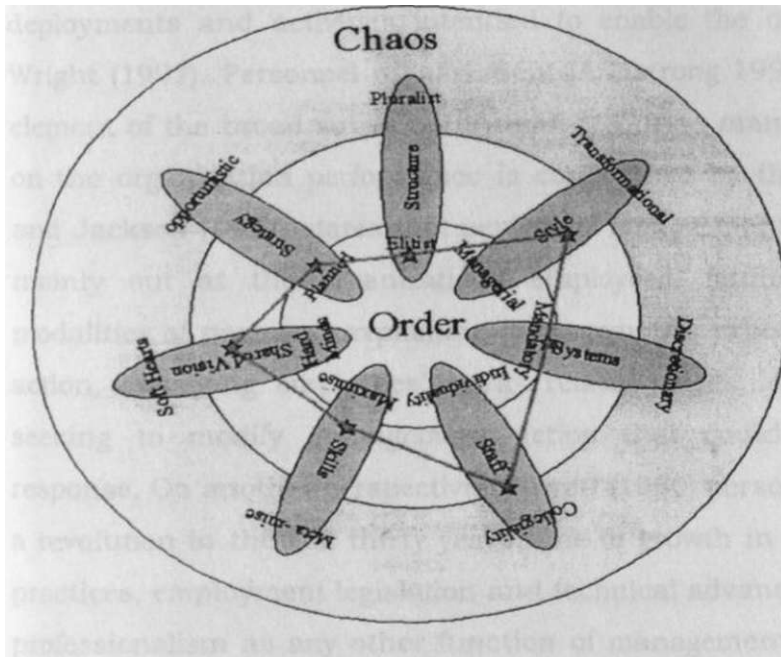
The study applies conceptual framework of Mcknisey and Company 2001 in addressing capacity building strategies in the state corporations in Kenya taking into consideration existence of other Frameworks. Wubneh's (1993), the conceptual framework embodies the four (4) related elements (*the restructuring of value systems, the development of*

*human capacity, transformation of institutional capacity and the modification of organizational structure*) that provide a general framework on the salient features of capacity building as emphasized. Effort to improve capacity must address the four important interrelated elements simultaneously. The development of human and institutional capacity without restructuring recruitment and reward systems to help retain skilled professionals or an appreciation of the benefits of the analysis inputs is likely to be unproductive. The study takes in cognizance the research conducted by Masinde (2002) in the Kenyan NGO's Sector to investigate the capacity building strategies that are practiced by the NGO's, applying seven (7) elements of the framework of Venture Philanthropy Partners of 2001. It also takes into account the lessons on evaluation of capacity building by Linen (2002), Elizabeth Boris (2001), the four theories useful in non-profit organization capacity building which include strategic management theory, agency theory, resource dependency theory, and institution theory.

Loubser (1993 :23) outlined elements of capacity building to include specified objectives (vision, values, policies, strategies and interests.); efforts (motivation, driving energy, concentration, work ethics and efficiency); capabilities ( intelligence, skills knowledge and mental sets), and resources (human, natural, technology, cultural, finance and work, organizational resources). Bolger (2002) specifies a generic framework in terms of different levels of capacity, namely individuals, organization and societies but emphasizes the links between them. McKinsey and Company (2001) conducted case studies on 13 non profit organizations and identified the seven (7) critical elements for building capacity: aspirations- clear vision, mission and goals; *strategy coherent* - actions and programmes designed to achieve goals; organizational *skills*- planning, resource management, and assessment of performance, *human resource*- individual and collective knowledge, skills, *system* and *infrastructure*- organization process entailing planning knowledge management and decision making; organizational structure- entailing governance, *intra-organizational coordination* and management structures; and *culture*, shared values, norms of practice focused on performance, and traditional creating the connective tissue that binds the organization together. McConnell (2001) McKinsey, Self-Assessment Grid helps the organization identify improvements that are needed. McKinsey framework provides a useful framework for analysing the strategic attributes of an organisation and identified strategy as only one of seven elements exhibited by the best managed companies



**Figure 1.** Mckinsey 7S



**Figure 2.** McKinsey's 7S and Pascale's Adaptation Thereof

Pascale (2001) found out that contention in the organizations tend to arise in predictable domains. These vectors of contention each correspond to the 7S as identified by Mckinsey. Each domain captures a paradox or polarity that needs to be reconciled. The polarities provide an on going vehicle for sustaining constructive disequilibrium. In another case study, Venture Philanthropy Partners (2001) state that; non- profit capacity is in a pyramid of seven (7) essential elements: three higher- level elements are aspirations, strategy, and organizational skills, three foundational elements are systems and infrastructure, human resources, and organizational structure and a cultural element which serves to connect all the others. The partners emphasize that the success of social issues has generated increased demand for their services in non-profit organizations. It is noted that in Kenya the public corporations are incrementally enhancing their performance as potential service providers and partners in tackling the most pressing social issues. In another perspective, for instance, Samaritan Inns in Washington DC undertook systematic capacity building to address the gaps, under the umbrella of the "New Hope Initiative".

Instantly, human resource management and practices on organizations' performance is an important topic in the fields of human resource management, industrial relations and industrial and organizational psychology Boudrea (1991). Strategic human resource management focuses specifically on the pattern of planned human resource deployments and activities intended to enable the organization to achieve its goals, Wright (1992). Personnel management (Armstrong 1994) echoes that it is an important element of the broad subject of human resources management while the later practices on the organization performance is conditioned by the organization's strategy. Martin and Jackson (1997) states that personnel management is a workforce- centred, directed mainly out at the organizations employees, finding and training them, working modalities of payment, explaining management's expectations, justifying management's action, satisfying employees' work- related needs, dealing with their problems and seeking to modify management action that could produce unwelcome employee response. On another perspective, Garrett (1980) personnel management has undergone a revolution in the last thirty years, due to growth in complexity of industrial relations practices, employment legislation and technical advance in the field and calls for a great professionalism as any other function of management. Human resource management and personnel management are occasionally used interchangeably. This is a system of

many interdependent activities that cannot occur in isolation since each of them affects one another resulting into a system.

The human resource strategy creates sustained competitive advantage since it maximizes the contribution of the organization (state corporation) toward the same goal, thereby creating value for shareholders (Becker, Huselid Ulrich, 2001). Strategic HR role is the three dimension of the "value chain" represented by the organizations architecture, the function, the system, and employee behaviors. The HR architecture broadly describes the continuum from the HR professionals within the HR function to the System of HR related policies and practices through the competencies, motivations, and associative behaviors of the organization's (firm's) employee's (Huselid and Becker 1995). The human resource is considered to linking employee capabilities with the performance requirements of the organization. The HR proponents clarify that two primary perspectives - a *universal approach* and *contingency* have been presented to describe the link between human resource management and organization performance. The universal or "best practices" perspective implies a direct relationship between particular approaches to human resource and performance, a contingency perspective appear to be competing due to its complementary role.

Organization competition depends on human talent and capabilities of employees that have impact on performance or else human resource practices and performance would be minimal. Variety of strategies are concerned with managing diversified enterprises whose activities span a number of different areas, business level strategies relate to the different ways that an individual business unit competes in its chosen market(s). These strategies are chosen and deployed within the framework of an overall corporate strategy and not in isolation from it. At the corporate level there are many and varied (Youndt, Snell, Dean, Lepak 1996) on the foregoing practices for selection of human resources depend on the key practices of the methodologies for selection which include either individual interviews, interviewing panels, selection boards, group selection or psychometric tests.

The executive management or the chief executive (CE) initiates visionary leadership in order to steer staff. The CE at the forefront provides leadership, vision, initiative, motivation and inspiration. A good and effective strategic leader according to (Thompson 1997) is one who is visionary, skilled, competent, able to delegate, one who motivates,

analytically persistent, enduring, and flexible. This transformative performance relies on logical capacity building change and inspirations backed with directive and supportive attitude into achieving matching leadership to the situation.

In building Andrew's Design School, Porter (1980) focused on an examination of the structure of the industry or market in which an organization competes. Porter's model of five competitive forces (rivalry among competitors, threats of new entrants, and bargaining power of suppliers, bargaining power of customers, and the threat of substitute products) allowed managers to assessing the attractiveness of the market, and establish the most competitive position within that market (Browne 1994, Feurer and Chaharbaghi 1995, Robbins et al 2000). Porter's (1985) concept of the "value chain" was another development that allowed managers to determine potential sources of competitive advantage by examining the activities that the organization undertook and the links between them (Nanaka 1991).

Value chain approach provides opportunity to determine whether the strategic internal factors are competitive. The SWOT analysis is capable in explaining in details how managers would identify internal strengths.

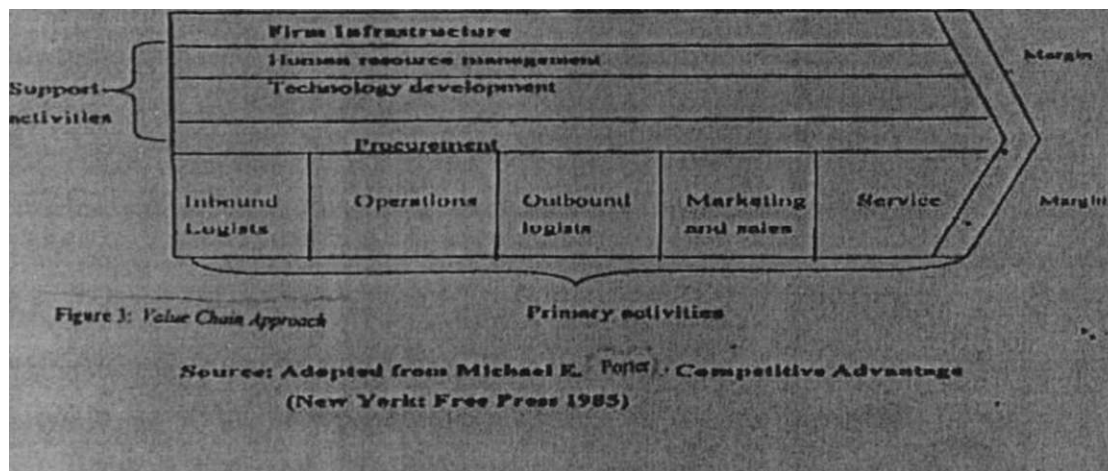


Figure 3: Value chain Approach

The value chain diagnoses a firm's (public corporations) key strengths and weaknesses, thus adopting a disaggregated view of the firm by examining it across distinct functional areas. Strategic Business Unit (SBU) engages in one line of business since it has a virtual autonomy to enforce corporate policies and standards down to very low levels in

the organization. Similarly, Public Corporations focus on specific products or services, SBU customers or clients, compete in a particular product or service segments, conforming to the organization's ideals and philosophies and support organizations purposes. Mintzberg emphasizes that the "process of strategic planning, not the plan itself, was key component of business performance. Instance of this model is implemented by Agriculture Finance of Kenya (2005). Through Different Mirrors (Bowman, EH 1994), hints that strategic planning in the 1970s (and 1980s) focused on customers and competitors while the organization of the firm was rearranged in strategic business units (SBUs) to map these customers and competitors. Then strategic business units (1970) were framed as stand alone business that could be managed and judged on a profit loss basis. New entrepreneurial ventures began life in Mintzberg's entrepreneurial mode of strategic planning and move towards the planning mode as the company becomes established and wants to continue its strong growth. Mintzberg adds that once it becomes successfully established, an entrepreneur instead chooses stability over the growth, the venture moves more towards the adaptive mode so common to so many small businesses".

### **2.3 Justification for Capacity Building**

Dees (1998) acknowledge that non-profit organizations have a problem of correlating capacity and impact. Venture Philanthropy Partners (2002) points out that capacity building has enabled non- profit organizations in United States of America (USA) sustain competition beyond the traditional approaches of fund raising and program development carried out in isolation. Hayes et al (1996) and Johnson and Scholes (1984), stated that the traditional basis of cooperate decisions was organizations' capacity to make versus buy which was appropriate to the predictable and slowly changing environment. In today's turbulent environment, organizations compete to invest more in vertical integration and supplies relationships, manufacturing and production processes which had led to its development of new practices such as outsourcing of services. Schein (1985), Kerr & Sloan (1987), Balkan and Gomenz - Meija (1990), Rapport (1986) supportive argument that though actual processing of capabilities and knowledge is unobservable, its influences are recognized in other more leading observable practices and enhance performance levels, strategic position, diversification, recruitment and compensation practical. In a different perspective, strategic management accounting advocates that a competent organization should acquire adequate market share, market

intelligence information and knowledge of competitors' products.

Performance management is derived by the vision, corporate goals and business strategies of the organizations. Performance management builds capacity of individuals to perform tasks effectively. Essence of performance management include formal performance contract, agreeing on support requirements, reviewing performance, taking action related to meeting targets, exceeding the performance targets, and failing to meet the performance contract. Instrument [DPM Revised 2006]. Performance Management defines a framework for identifying and understanding people's learning needs at work and the relationship of those needs to the demands of the organization. Charter outlines the quality of service, which is expected from each of state corporations in terms of measurement of performance target (Performance Contracts 2005).

Morgan (1993) highlights that capacity development as "the ability of individuals, groups, institutions, organizations and societies" to identify and meet the development challenges over time. Development could be regarded as on- going process of staff. Berg 1993:62-63 regards capacity building as characterized by skill upgrading both general and job specific procedural improvements and organizational strengthening. Elsewhere, Berg contends capacity building as an integral part of civil service reform- a "discovery" which highlights facts that in the process of establishing the administrative machinery of government in the immediate post independence era. The important issue of human resource development has often been overlooked (Jaycox 1993). Morgan indeed highlights further the fact that capacity development (building) could be seen as a sustained process of human resource development and reflects on the functioning of the personnel.

It could be argued that capacity to build or do something over a period of time by acquiring a personnel reservoir of knowledge, experience and expertise create positive implications on the ability to handle an increasing work- load as the individual moves up the career ladder or the number of individuals for who a superior is responsible (Maynard - Moody 1991:28) concerning context of layers of capacity on the individuals span of control. Contextually, "career development supports an employee growth and maintain effective workforce in productivity" as well as providing a visionary management in a career structure. Career is managed through a formulated approach to ensure that employees have opportunities to maximize their potential. Career

progression guidelines complement Staff Grading Structure, which in turn facilitates working out salary scales into bands as a result of Job Evaluation. The career design is enshrined in the schemes of service/career progression guidelines that require a joint responsibility of both employer and employee to contribute to career structure positively (DPM Schemes of Service Binders 2005). This is complemented with issuance of human resource management policies and code of regulations. England Fulton Report on Civil Service Grading Structure and Job Evaluation (1993) supports clear career development system, promotion, policy, recruitment, and creates a basis of job satisfaction in terms of pay and ensuring staff undertake work that fits organization capabilities, [Royal Garrett 1980 and RIPA 2004), this appear to concur with Kenya Civil Service Job Evaluation Report 2005 which reviewed the Grading Structure.

Organization through its HRM function, undertakes research in finding out which factors triggers labour turnover. Organization's ability to retain its employee's is a function of manpower factors. In West Africa and East Africa, Prefer Blunt and Popoola (1985) found out factors contributing to labour turnover to include leaving for higher learning, better career prospects, strains from interpersonal conflict, under load, induction crisis, work overload or work; and work under load.

Blunt and Popoola (1995) cites that pressure of population onland and the increasing unemployment opportunities in rural and urban areas also cause labour turnover. Hesselmark (1999) argues that low salaries are a fundamental cause of institutional decay in Africa that retards building of capacities apart from other parts of Asia. Low salaries within public sector trigger staff turnover, and services generated tends to deteriorate. This explains that the "brain drain", which is a consequence of the meagre pay and poor prospects, has undermined the admonitory capacity in Africa.

Shank and Govindarajan (1982) advocate that a company should evaluate its value relative to the value chains of its competitors or the industry. They also point out that focusing on the value chain results in the adoption of broader strategic approach to cost management. They reason that traditional management accounting adopts an interval focus, which in terms of the value chain starts too late and stops too soon. Shank 1989 illustrated how value chain approach to exploit links.

## **2.4 Essence of Capacity Building**

Capacity building addresses complex multi-faceted problems requiring the capacitating of various actors, organizations and institutions (Qualman and Morgan 1996). Individuals operate within a wider sector and these sectors operate within broader environment. An intervention at one level needs to recognize the interactions with other levels (Balgescu and Young 2006). Capacity building builds on what exist in order to improve it. Capacity -building initiatives for organizations to use research-based evidence to influence public sector, national and global policies have been targeted (often directly) at think- tanks, research and policy institutes. Capacity building is a long-term investment. An instance is an ongoing JICA/Kenya School of Monetary Studies Technical Corporation Project for Strengthening Capacity Building of Fiscal And Monetary Policy 2005.

Capacity building is synonymous with the term "development". North (1992) bases his argument on the many efforts of donors to assist developing countries to achieve "a condition of self- sustaining national growth and progress in human well being", and goes on to add that in this sense the meaning of capacity building is comprehensive and "equates with the totaling of human development". Hilderbrand and Grindle (1994) argue that capacity is synonymous with development itself "makes operationalizing the concept in a meaningful way almost impossible". Further North argues that the concept capacity building include institution building and human resource development which are associated with "a developing country's management of development policies and programmes" (North 1992) as restructuring, recruitment and performance management systems.

Gunnarsson (2001) refers the concept of capacity building on building of all sorts of productive capacities and investments in human resources, the aim of which is to enhance productive capacities in specific field or to improve organizational capacity in the organizations that are chosen as agents of development. Capacity building is related to the context in which it is used (Clark 1992, Wardle 2002). Capacity building refers to the ability of organization to function as a resilient, strategic and autonomous entity through the development and acquisition of relevant capabilities (Kaplan 1999). Hayes et al (1996) points out that capability is a skill and not a tool. Equally, Hayes describes organization's capacity as the summation action of its capabilities working synergistically to improve its competence.



It is important to combine the notion of ability and competence. Ability implies that an organization is able to do something, however imperfect or inefficient. Ability becomes a capability when organization gets good enough to perform its activities efficiently and consistently to charge for such services, hence becoming a distinctive capability (Heyes, et al 1996, Johnson and Scholes 1984). The organization capacity is able to focus, direct, strategize and innovate, respond and adapt to the changing environment. In this view such an organization is flexible enough to impact on and change its circumstances, enabling it to function as resilient strategic and autonomous entity. The Centre for Venture Philanthropy (CVP) (1999) creates an environment where community donors collaborate and drive positive change in the community. Investors work directly with the CVP staff and non-profit leaders to understand community and non-profit issues, problem solved and structure their investments. A venture capital model encourages investor base social venture funding on result-oriented based business plans.

## **2.5 Capacity Building Strategies**

Capacity building embodies activities that improve an organizations ability to achieve its mission or a person's ability to define and realize goals or perform duties effectively. Organization's capacity building may relate to almost any aspect of its work, improved governance, leadership, mission and strategy administration (human resources, financial management, and legal matters) programme development and implementation, fundraising and income generation, diversity, partnerships and collaboration, evaluation, advocacy and policy change, marketing, positioning and planning. Capacity of the organization is the ability to achieve its mission effectively and sustain its self over the long term. For individual capacity building relate to leadership development, advocacy skills, training/ speaking abilities, technical skills, organization skills, and other areas of personal and professional development. Capacity Building practices are dominated by human resources factors at many levels in the organization, (Crowder. 1996).

A strategy to an organization is, among other things, a plan of how the organization achieves its goals and objectives (Davis 2000, Mintzberg 1996). This commits present resources to future expectations (Drucker 1999). The organization ensures that it is suitably positioned in order to pursue its goals, and develop a base for managerial decision-making. Corporate levels strategies concern with managing diversified enterprises whose activities span a number of areas. Business level strategies relate to

the different way that an individual business unit can compete in its chosen market(s). They are chosen and deployed with the framework at an overall corporate strategy and not in isolation from it. Porter (1980), the basic business level strategic leader, argued that there are only three business basic level strategies, cost leadership, product differentiation and specialization by focus. Porter asserts that the three generic strategies are distinct and cannot be mixed. An important variant was developed by Miles and Snow (1978) on types of strategies that were classified strategic type-based on the rate at which the organization changes its products or markets. These include defenders, prospectors, analyses and reactors strategies.

Designers of planning systems agree about the critical role of Grand Strategies. These are called master or business strategies that provide basic direction for strategic actions. They are the basis for coordinated and sustained efforts directed towards achieving long term business objectives. A Grand Strategy provides a comprehensive general approach that guides the corporations (firms) major actions (Pearce and Robinson, 1997). The fourteen principal Grand Strategies include concentrated growth, market development, product development, innovation, horizontal integration, vertical, conglomerate diversification, turnaround, divestiture, liquidation, joint ventures, strategic alliances and consortia. In certain circumstances, the organization combines several Grand Strategies when involved in multiple products or distinctive activities businesses, product lines or customer groups.

Organizations market their products or services. Marketing concepts cite that the organization will prosper only as long as it gives consumers products that satisfy their needs and wants at prices they are willing to pay at a profit to the organization. Marketing mix is the blend of the four controllable variables that make up the nucleus of the marketing program - product, pricing, promotion and channels. (Massie 1995, p. 170-171). The term marketing is defined in different ways. Marketing is performance of business activities that direct flow of goods and services from producer or settler to the consumer or use (Kibera 1998). In this connection, emphasis is that the Public Corporations create continuous culture of marketing their products or services

Strategic Change, Lynch (2000) is the pro-active management of change in organization to achieve clearly identified strategic objective. It involves the implementation of new strategies beyond normal routines of the organization. Strategic change arises out

organizations' need to exploit existing or emerging opportunities or venture into the interests in the environment and seek to create a competitive advantage and wherever possible innovate to improve their competitive positions. When environmental changes competitive strategy seeks not only to respond to the new environment, but also attempts to stage that new environment in the organization favour (Porter 1995). Hill and Jones (2001) supports that strategic change is triggered by several environmental factors including shift's in the economy, new alliances, partnerships or acquisitions, shifts in technology, new entrance to organization causing changes in leadership, political power among other factors.

Pearce and Robinson (2000) explains that the remote environment is comprised of a set of forces that originate beyond and usually irrespective of any single organizations operating situations- political, economical, social and technological factors. These forces present the organization with opportunities, threats and constraints. Lynch (2000) argues that as element of the environment change, the organization needs to adjust its corporate strategy accordingly.

Subsequently, political factors provide the legal and regulatory framework within which the organization (service or regulatory public corporations) operates and includes legislation, taxation and the relations between the government and the organization. The social cultural factors define the shifts in values and culture, destroying lifestyles, demographic changes, attitude to work and leisure as well as contribution of income. Economic forces concern the nature and direction of the economy in terms of inflation, consumer expenditure and disposable income interest rates, and unemployment among other factors. Technological innovations create possibilities for new process, product and service for the organizations (Lynch 2000).

Johnson and Scholes (2003) explain that managers both in private and public sectors find it difficult to make sense of the uncertain environment around their organizations because of the diversity and complexity of the environment and the speed of change they have to cope with. Hence, it is important to tailor strategy to suit a certain type of environment so that when it changes there is need to change strategy to enable organization fit in the new environment.

In a contemporary management, information technology as an additional dimension of structural design enhances the organization performance. The impact of information technology has significant effect on the structure of management and functioning of organization. Technology change lines of command and authority, and influences the need for restructuring the organization and attention to job design. Information Technology (IT) contributes solutions to some of problems in an organization and in particular interactive websites.

In a turbulent environment, managing unused capacity involves identifiable capacity. This approach can eliminate the unused capacity and grow revenues from it. Right sizing in the context of capacity is an integrated approach of configuring process of products and staff in order to be performed for operating effectively and efficiently all the time. It also involves harmonizing jobs. It is important to institute organizational changes to increase efficiency, reduce costs and improve quality. It is wise that rightsizing is undertaken in the context of the organization's overall strategy, and retaining individuals with key management, leadership and technical skills (Horngren et al 2000).

## **2.6 Relationship between Organization and Capacity Building Strategies**

It is stated that "aspirations" of the organizations are within ambit of strategic management. Vita, Fleming and Twombly (2001) explicitly link strategic management theory with capacity building in respect of Pittsburghs Capacity Building Research in 2001 funded by The Forbes Funds. Strategic management theory suggests that Non-profit can revamp their operational activities to enhance the organizational capacity. Strategies such as increased staff training, greater use of volunteers, or more public outreach programmes can reduce the costs of delivering service or building a stronger community constituency.

Ansoff (1983) defines strategic management as a process for managing a firms relationship with its environment. Global strategic management is concerned with managing a firm's relationship with a global environment. International business environment is increasingly getting more challenging for business firm. Global strategic management emphasizes strategies for managing the challenge of international competition. (DSM602: University of Nairobi 2000) Strategic management is defined by Chandler (1962) as the determination of the basis long-term goals and objectives,

adoption of the courses of action and allocation of resources necessary for carrying out these goals. Goals and objectives of an organization set out the direction for the organization's future. Lynch (2000) corporate strategy level is concerned with an organization's basic direction for the future, that is, its purpose, ambitions, resources and how it interacts with the world in which it operates - the environment and putting organizational purpose into practice, plans and actions that must be developed. Other strategies include; the business level that brings together the cooperation and direction of each of the individuals business within a group of companies Each of this levels, though interrelated has its own distinct strategic concerns and each can draw a different battery of strategic weapons or types (Johnson and Scholes 1993).

Alaers (1996) observes 'capacity' as the knowledge, skills, attitudes, and values found in individuals, and as they are aggregated in organizations, communities and in all other forms of arrangements that define individual and collective behaviour. Alaer suggests that the purpose and nature of capacity building are to provide the individuals with the intellectual skills, and the institutions with the skills and procedures to help them meet their objectives. Capacity building is concerned with sector's overall performance and assists critically in assessing the objectives of the organization as well as the institutional architecture in which they are supposed to function (Wolfe and Brook 2003).

Organizations develop their strategy as a "stretch" identifying and leveraging resources and competencies to influence the environment to yield new opportunities, thus deriving their competitive advantage (Johnson and Scholes 1984). This support the idea that organizations to invest in capabilities such as *leadership*, empowerment of staff and stakeholders as *agents of change*, *change sensitive culture*, and acquisitioning *new external knowledge* (Kanter 1999: Grant and Baden - Fuller, 1995)

Organizations (state corporations) are increasingly aware of their core and support activities in terms of their value and cost implications. Various forms of partnerships with suppliers, customers, and key stakeholders are formed, for a value added and cost effective operation (Teece and Pissano 1994. Grant and Baden - Fuller, 1995). According to Hardy (1985), competition is never static; this therefore gives rise to the need for organization to participate beyond the stated so as to change the rules of the games. Hence, it calls for analysis of an investment of capabilities. Non-taking of equity

position by the partnership in the organization results into strategic alliance. In many instances, strategic alliances are synonymous with licensing agreements. Outsourcing is another approach to strategic alliance that enables the enterprise to gain a competitive advantage. And Consortia are large interlocking relationship between businesses of enterprise. The strategic analysis process focuses on the integration of opportunities with distinctive competences. The internal analysis identifies assets (resources) and competences (capabilities) currently possessed by the organization. These influence the strategic options developed in the next stage of the strategic planning process, as will be in the external market environment of customers and competitors. Strategies develop around existing assets or distinctive competences through matching them with the environmental opportunities. (Pearce II and Robinson 1994). New competences that will be acquired, developed and supported - including growth strategies such as product expansion, market expansion, and diversification - often requires that competences be extended and enhanced to meet environmental opportunities (Alaers 2000).

Porter (1980) describes strategy as the act of aligning an organization and its environment. Porter goes on to state that since the environment as well as the organization own capabilities are subject to change. The task of strategy is to initiating a dynamic balance. Lynch (2000) agrees with this by pointing out that corporate strategy is the linking process between most of the organization resources and its external relationship with its environment. Therefore, the organizations need to develop strategies that are best suited to their strengths and weakness in relation to the environment in which they operate.

Johnson and Scholes (2003) acknowledge organization strategies links with environment and the debate contributed that strategy is the process that matches resources and activities of an organization to the environment in which it operates. They argue that strategic fit involves developing strategy by identifying opportunities in the environment and adapting resources and competencies so as to take advantage of them is essential and must be maintained at all times for organizational success.

Organization strategic capabilities relate to three main issues namely availability of resources, competence in the activities it undertakes, and the emanating synergy (Hamel and Prahalad 1994). To understand an organization's competence and strategic capability, analysis is carried out on five levels. Analysis of its value chain depicts core

and support activities to identify its core competencies. Second a cost- benefit analysis of respective activities is conducted to determine the value added by each activities and synergy of whole. Understand of an organization's competence and strategic capability needs carrying out analysis of the institutional governance, organization design, human resources, knowledge and systems.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter covers the research methodology for this study by highlighting the research design, population, sampling, data collection method and data analysis techniques.

### **3.2 The Research Design**

The design employed for this study was descriptive survey. The survey aimed at establishing capacity building strategies adopted by State Corporations in Kenya. Cooper and Schindler (1998) points out that such a study is concerned with finding out what, where and how a phenomenon is an affirmative.

### **3.3 The Population**

The population of this study was all the State Corporations. Office of the President Circular Letter of 23<sup>rd</sup> November 2004 indicated one hundred and twenty five (125) State Corporations placed into 8 categories. A List of selected state corporations is at Appendix 3.

### **3.4 The Sampling Design**

Fifty (50) state corporations were selected based on stratified sampling method according to table 1. The survey targeted state corporations which are headquartered in Nairobi or other Offices countrywide. Communication with these Offices included telephone among other channels of communications. The survey used strata from each of the sector based on random selection. Odawa (2004) quotes Daniel and Terrell 1992 that one widely used rule of thumb is that the sample size be thirty (30) or more which Cooper and Emory (1995) supports and observes that in a population of ten million, a sample of two million can be misleading while a sample of 1000 drawn in a proper manner can be adequate. Rubin and Luck (1992) points out that a study concerned with finding out who, what, which and how a phenomenon is a descriptive design.



**table 1: Sample Frame**

Categories/Sectors	<i>Total Number</i>	<i>Computation</i>	<i>Choice^</i>
Financial	15	$15 \times 50 / 125 = 6$	6
Commercial/ Manufacturing	31	$31 \times 50 / 125 = 14$	12
Regulatory	26	$26 \times 50 / 125 = 11$	11
Training and Research	11	$11 \times 50 / 125 = 4$	4
Service	25	$25 \times 50 / 125 = 10$	10
Regional Development Authorities	6	$6 \times 50 / 125 = 3$	2
Tertiary Education and Training	5	$5 \times 50 / 125 = 2$	2
Public Universities	7	$7 \times 50 / 125 = 3$	3
<i>Total</i>	<i>125</i>		<i>50</i>

### 3.5 Data Collection Method

The study collected primary data using a semi-structured questionnaire. The five sections of the questionnaire focussed on the variables that inter-cross each other constituting elements of capacity building. The respondents were human resource managers, public relations managers and other designated managers who were involved in matters pertaining to capacity building. The questionnaire was administered to 50 state corporations through mail and followed with telephone regarding collection date agreed upon.

### 3.6 Data Analysis

Data collected was edited for completeness and consistency and coded so as to facilitate the data analysis. In analysing data, descriptive statistics were used. The survey questionnaire investigated the capacity building strategies and their influences on the State Corporations using Multiple-Choice answers and the five Point Likert - Type questions. The main variables measured included structure, human resources, strategies, and systems and infrastructure subject to the number of respondents (frequencies). Mean ranking approach was used in descending order of percentages scored by variables in the respective main variables (Likert Scale Questions Tables 7, 8, and 9). In regard to multiple - choice variables, data rating was analysed according to levels of percentages in other tables. The properties adopted in capacity building strategies were analysed into frequencies, percentages and mean scores. High mean

**score** of rating from moderate extent and above indicate that impact of capacity building strategies and their influencing factors in the state corporations is at significant level. Figures 4 and 5 depict the number of the variables in the pie chart and in bar graph that were used in the study prior to application of the mean ranking. Source of secondary data was published material and conventional Internet.

## **CHAPTER FOUR: RESEARCH FINDINGS**

### **4.1 Introduction**

This chapter presents findings and analysis from specific issues that were indicated in the objectives of the study. The data collected during the survey was summarized and presented as descriptive statistics. The aspect of data covered was under the structure, human resource, strategies, and systems and infrastructure as the main variables in the foregoing pages. The study targeted 50 state corporations, which were served with questionnaires, and 35 responded to the given questionnaires, translating to 70% response rate.

### **4.2 Profile of Respondent Organizations**

Questionnaires were administered to 50 State corporations. The study sought information on the size, lengths of period the state corporation have been operating in the business nature. The information sought was on the year when the organization was established and the business nature. It was envisaged that length of business has impact on business performance.

#### **Nature of Business**

Twenty- eight (28) state corporations indicated their business nature in the sector and seven (7) did not specify the business. The business nature fall within the framework of strategic management.

**Table 2: Business Nature**

<i>Type of Business</i>	<i>Frequency</i>	<i>Percentage</i>
Financial	6	17
Manufacturing and Commercial	8	23
Regulatory	10	28.6
Training and Research	2	5.7
Service	2	5.7
Authorities	4	11
Tertiary and Higher Training Institutions	3	9
<i>Total</i>	<i>35</i>	<i>100</i>

**Years of Operations in Business**

The respondent state corporations indicated that they have been in business for periods ranging from less than 10 to over 30 years, but 4 out of 35 did not indicate the age as evidenced in the table.

**Table 3: Age of State Corporations**

<i>Age</i>	<i>Frequency</i>	<i>Percentage</i>
10 years and Less	1	3
11-20 years	6	17
21-30 years	6	17
Over 30 years	18	51
Not indicated	4	11
<i>Total</i>	<i>35</i>	<i>100</i>

Eighteen corporations have been operating for over 30 years as indicated in the above table. This is due to stability of some environmental factors.

**4.3 Capacity Building Strategies**

The capacity building strategies are activities or actions that improve an organisation ability to achieve its mission. Capacity building strategies encompass both actions and activities that improve an organisation's ability to achieve its mission as well as an individual's ability to define and realize goals or perform duties effectively. The study focused on strategic capacity building strategies which included human resources, structure (governance), systems and infrastructures, and general strategies.

### 4.3.1 Human Resources

Human resources have an impact on the state corporations' performance. The fields of human resource, industrial relations, and industrial and psychology have influence on human resource management strategies. In the state corporations, the strategies focus on pattern of planned human resources deployment and activities intended to enable their organisations matching workload and responsibilities (Table 9). The human resource strategies emphasises on investment in staff and restructuring their competence (Table 5). The corporations' ability to retain (Table 4) the employees is a function of manpower factors and personnel management, which is a broad aspect of human resource management and associative behaviours of the organisation's employees. The human resource strategy creates sustained competitive advantage since it maximises ability of state corporations towards the same goal, thereby creating value for shareholders. It is evident that the corporations link employees' capabilities within the performance requirements (Tables 4 and 5). The human resource management is as a system of many interdependent activities. External recruitment by the state corporations may be necessary when they are unlikely to develop new competencies internally. Competence is the capabilities of the main source of competitive advantage (Grant 1991). Organizations that base their strategies on intangible assets outperform those with strategies based only on tangible assets. This requires need for knowledge management as an adjunct to the strategic management process.

Table 4: **Recruitment and Retention**

<i>Personnel</i>	<i>Frequency</i>	<i>Percentage</i>
Human Resource Manager	8	23
Finance Manager	4	11.4
Public Relations Manager	4	11.4
Marketing Manager	4	11.4
Accountant	3	9
Engineer	3	9
Project Manager	3	9
Agriculture Extension Officer	1	3
Shipping Personnel	1	3
Other Personnel	4	11.4
<i>Total</i>	<i>35</i>	<i>100</i>

In table 4 above, the respondent state corporations indicated the extent to which the named personnel are recruitable but are difficult to retain. The personnel include human resource manager, finance manager, public relations manager, accountant, and engineer and project manager. However, one of the responses indicated that a research scientist falls in the same category. A response from a shipping organisation indicated that shipping personnel is the most difficult to recruit, motivate and retain. Nevertheless, this evidences that human resource management function play a central role in linking employee capabilities with performance requirements of the organisation.

**Table 5: Capacity Building Techniques**

<i>Training and Development</i>	<i>Frequency</i>	<i>Percentage</i>
On-Job Training	8	22.9
Off-Job Training	5	14.2
University/College Education	5	14.2
Job Rotation	4	11.4
Job Enlargement	4	11.4
Enrichment Program	3	8.6
Formal Apprenticeship	2	5.7
Correspondence Learning	2	5.7
Distance Learning	2	5.7
<i>Total</i>	<i>35</i>	<i>100</i>

In table 5, thirty- five (35) respondents stated types of training/courses that contribute to capacity building in the corporations. Highest percentage showed On-Job Training (22.9%) followed by Off-Job Training (14.2%) and University Education (14.2%), Job Rotation and Job Enlargement (11.4%) while Enrichment Programme (8.6%). Last in order of preference were Distance Learning, Correspondence Learning and Formal Apprenticeship (5.7%). In table 5, percentage score confirm that capacity building techniques provide the individuals and the institutions with the necessary skills. This evidences that the corporations' performance relies on human talents and capabilities of workforce.

### 4.3.2 Structure

The structure is used to reconfigure the competencies of the organisations (corporations). The structure interacts with external environment and facilitates implementation of structural designs with a strategy. The structure is a combination of corporate governance, organization design and inter- functional coordination that shape the organization's legal and management operations. Organizations through their staff acquire large share of market. Line management staffs are responsible for attaining the objectives of the organizations.

The survey findings confirmed that the state corporations realign their organisational structures according to demands of external environment. The strategy initiates dynamic balance between structures and environment (Porter 1981). The strategy is a linking process of the organization resources of the corporations and its external environment. The corporations periodically develop their strategies in regard to structures. The structures are influenced by strategies that are crafted to mitigate internal and external environmental conditions.

Table 6: **Organisational Structures Adopted by Corporations**

<i>Structure</i>	<i>Frequency</i>	<i>Percentage</i>
Functional	10	28.5
Project	6	17.1
Geographic Territory	4	11.4
Customer	5	14.2
Product	3	8.5
Combination	3	8.5
Matrix	4	11.4
<i>Total</i>	<i>35</i>	<i>100</i>

Ten (28.5%), six (17.1%), and five (14.2%) responses indicated functional structure as their choice. Two (8.5%) responses indicated combination, and product structures, followed by two (11,4%)responses that specified matrix and geographic territory. It is evident that structures have effective impact on the performance management depending on structural reporting relationship and span of control. The responses confirmed that strategy influences structure (Chandler 1962)

**Table 7: Board Structures and Functions**

<i>Variable</i>	<i>Response</i>	<i>Frequency</i>	<i>Percentage</i>	<i>Mean</i>
Board's Representation of Stakeholders	Moderate extent	14	40	3.1
	Large extent	9	26	
Board's Diverse Professional Background	Less extent	13	37	3.5
	Moderate extent	8	23	
Board's Participation in Strategic Planning	Moderate extent	9	26	3
	Large extent	13	37	
Board's Legislation Role	Moderate extent	12	34	2.7
	Large extent	8	23	
Board's Contribution to Social -Economic Cultural System	Moderate extent	9	26	3.2
	Large extent	12	34	
Board's recognition of Senior Management Performance.	Large extent	13	37	3.7
	Very Large extent	8	23	
External Influence on Boards : Role	Large extent	8	23	3.8
	Very Large extent	14	40	
Board's Reliance on Chief Executive Officer	Moderate extent	12	34	3.2
	Large extent	10	29	
The Board is Commitment to Mission Statement	Moderate extent	8	23	3
	Large extent	13	37	

Table 7 indicates responsibilities of the board that were highly rated with mean scores of above moderate and below. These include external influence, recognition of senior management, diverse professional background, board's reliance on chief executive officer and board's contribution to socio - economic cultural system, commitment to mission, participation in strategic plan, board's role different from management, board's reliance on chief executive officer, boards representation of stakeholders, participating in formulation of policy, board recognition of senior management role and board legislation role in a descending order. Mean score pertaining to board's diverse professional background was indicated against less extent. Nonetheless, the findings of research show that most of the variables were necessary to capabilities of state corporations. The findings further revealed that the board structures of the state corporations enable them to steer performance, market growth and expansion of areas of specialization, emphasis



on planning for capacity building, standards of monitoring performance and opportunity of quality assurance of production.

**Table 8: Series of Salient Corporate Strategies**

<i>Strategies</i>	<i>Response</i>	<i>Frequency</i>	<i>Percentage</i>	<i>Mean</i>
Organization Commitment to Mission Statement	Moderate extent	8	23	3.1
	Large extent	13	37	
Job descriptions and specifications	Moderate extent	9	26	3.1
	Large extent	13	37	
Strategic Objectives	Moderate extent	13	37	2.9
	Large extent	8	23	
Human resource management on performance	Moderate extent	19	54	3.5
	Large extent	10	29	
Management communication for change	Moderate extent	9	26	3.2
	Large extent	12	34	
Financial and non-financial decision-making.	Less extent	9	26	4.13
	Moderate extent	13	37	
Contribution of Institutions to the sector	Large extent	10	23	3.8
	Very Large extent	13	37	
Benchmarking with customer preference	Large extent	12	34	4
	Very Large extent	10	29	
Management team's reliance on the Chief Executive Officer	Moderate extent	8	23	3.2
	Large extent	12	34	
Staff multitasking	Moderate extent	12	34	3
	Large extent	4	11	
Human resource infrastructure - value chain performance	Moderate extent	19	54	3.3
	Large extent	9	26	
Performance based incentive systems	Moderate extent	12	34	3.4
	Large extent	9	26	
Internal and external staff recruitment	Moderate extent	11	31	3.2
	Large extent	8	23	
Recruitment, utilization, remuneration and training ^policy	Moderate extent	9	26	3.6
	Large extent	11	31	
Staff capability versus the external demands	Moderate extent	11	31	3.5
	Very Large extent	9	26	
Salary scale structure viz - a - viz staff grades	Large extent	19	54	3.5
	Very Large extent	10	29	

In table 8 above, analysis of information reveals each variable has a mean score of three and above. Mean ratings below moderate extent are considered medium and low while those above moderate extent are considered large and very large extents respectively. In this study, variables mean score was absolutely necessary for factor weighting during data analysis. The variables pertain to management involvement in financial and non-financial (qualitative) judgment and decision making (4.13), internally and externally

-recruitment (3.2), salary structure scales (3.5), provision of recruitment, deployment, utilization, remuneration, training and staff development policy (3.6), staff multitasking, capability and receptiveness to new ideas and innovation capabilities (3), human resource infrastructure in the dimension of value chain performance (3.3), positive impact of human resource management on organisation performance (3.4), management team reliance on the chief executive officer (3.2), management communication for change (3.2), job descriptions and specifications (3.1) and achievement of strategic objectives on strength of human resource development (2.9), The highest mean score was 4.13 among the variables. Low rating implies that the impact of variables on capacity building as practised by state corporations is at minimal or insignificant level.

#### 4.3.3 Systems And Infrastructure Strategies

The systems and infrastructure entail resources and knowledge. The capabilities are developed, integrated, protected and exploited to give competitive advantage. The reorientation of value systems, developing human capacity, transforming institutional capacity and modifying organizational structures form a basis of capacity building in the state corporations.

**Table 9: Types of Systems and Infrastructure**

<i>Variables</i>	<i>Response</i>	<i>Frequency</i>	<i>Percentage</i>	<i>Mean</i>
Capture, Document and Disseminating Knowledge	Moderate extent	13	37	3.2
	Large extent	10	29	
Physical Infrastructure facilitates performance	Moderate extent	8	23	3
	Large extent	14	40	
Website with relevant up datable information	Moderate extent	12	34	3.2
	Large extent	10	29	
Management Information System	Moderate extent	10	29	4
	Large extent	12	34	
Top management commitment to human resource Knowledge	Moderate extent	10	29	3.6
	Large extent	11	31	
Marching workload and responsibilities	Moderate extent	19	63	3.4
	Large extent	10	30	
Measures of customer reactions	Moderate extent	11	31	4
	Large extent	10	20	
Policy Making at National Level.	Moderate extent	12	34	2.7
	Large extent	10	29	

The management information system and measures of customer reactions, (4), **involvement** influencing policy making (3.7), management commitment and influence of **leadership** in human resource knowledge (3.6), measures of customer reactions, and **matching** workload with responsibilities (3.4), were rated in a descending order of mean **score**. The owned website with updateable information (3.2), dissemination of knowledge (3.2), and adequate physical infrastructure (3.1), were rated lowly by the respondents. **Most** of the responses have a mean score of above 3 as depicted in the above table.

The survey revealed that state corporations practices are a combination of resources (systems and infrastructure) in the form of capabilities. The resources such as physical capital, human capital and mixture of tangible and intangibles (asset, skills or competence) are the source of the corporation's capabilities which reinforce strategy.

#### 4.3.4 **General Strategies**

**The** term general strategies used in the tables include generic, growth and labour **turnover** since their implementation and occurrence are experienced across the **business**. Labour turnover (Table 13) requires pragmatic control to avoid unoccupied **manpower** positions in the corporations, which may retard succession management **programme** and rate of performance. Table 10 below presents frequencies of responses **and** extents to which strategies are chosen and implemented by the corporations. There **are cited** in the corporations' strategic plans which provide basic direction for actions. **The** strategies are the basis for coordinated and sustained efforts directed towards **achieving** short or long-term business objectives. The table also presents extents to **which the** corporations combine several strategies when involved in multi - products or **distinctive** activities - business, product lines or customer groups. The state corporations market their products or services. The scenario indicates that strategic **objectives** provide a yardstick to the corporations for directing and converting specific **performance** targets into achieving specific commitments to action. In the state corporations, the table further presents that the strategies are suitably positioned to **pursue** goals and develop a base for managerial decision making (Porter 1980 and Miles **et - al** 1978). Information in the table confirms that the corporations develop their **strategies** as evidenced with growth and generic strategies.

**Table 1 (^Corporations' Chosen Strategies**

<i>Growth Strategies</i>	<i>Frequency</i>	<i>Percentage</i>
Diversification	9	26
Innovation	7	20
Market Development	6	17
Alliances	4	11
Product / Services	4	11
Turnaround	3	9
i Consortia	2	6
<i>Corporations Generic Strategies</i>		
Cost Leadership	16	45.7
Product Differentiation	10	28.6
Specialization by Focus	9	25.7
Total	35	100

The table also confirms that state corporations have implemented various types of strategies due to external competitive influences. The highest rating of percentages in a descending order show that diversification (25.7%), innovation (20%) and market development (16.7%) have been implemented. The 45.7%, 28.6% and 25.7% responses indicated the generic strategies which their corporations pursue. The strategies give the corporations capabilities of effectively handling external demands. Majority of responses indicated cost leadership (16), followed by product differentiation (10) and specialization **by** focus (9).

#### **4.4 Factors Influencing Capacity Building Strategies**

The factors influencing capacity building strategies hinge on human resources, structure (governance), systems and infrastructure, and general strategies in the state corporations. These strategies are triggered by external environmental factors such as Political, legal, economic, labour, socio-cultural and technological systems. According to survey findings, the state corporations have prioritised development and strengthening of human resource base as one of the key areas of improvement in performance strategy (Tables 5 and 11). The corporations pursue enhancement of their image, self-concept, principal product or service areas and primary customers or public needs.

The strategies have aligned internal capability of the state corporations with external demands of their environment due to performance management system (Table 8). The implemented strategies form the basis of formulating and implementing new strategies that will achieve the state corporation's goals and objectives (Table 10). The strategies enable the corporations to achieve the next level of performance. The human capital contributes to the process of developing new market competencies as a backbone of strategies. In general, survey findings indicated that performance requirements of the state corporations lead to formulation and implementation of new phases of strategies.

The structure and management process trigger reconfiguring competencies of the state corporations. The findings indicated that the organisation structure interacts with external environment (Table 12), which in turn influences formulation and developing new strategies for implementation. It is noted that from the findings that external demands on the state corporations due to changing attributes of products and quality services subject them to introduce new strategies which address the demands of external markets. The state corporations compete to invest a lot in manufacturing, services and production processes, which leads to new strategies (practices) such as outsourcing of essential services, collaborating with industry/sector players in developing and commercialising technology which require phases of new strategies. These influence implementation of strategies.

Table 11 :Staff Selection Methods

<i>Selection Methods</i>	<i>Frequency</i>	<i>Percentage</i>
\ Individuals/Interview	13	37
Individual / Panel	8	23
Selection Board	7	20
Group Selection	5	14
Psychometric	2	6
<i>Total</i>	<i>35</i>	<i>100</i>

The responses in the table indicate that state corporations practice variety of methods of appointment to avoid bias during interview. Individuals interview, individuals' panel and selection boards are rated highly in terms of percentage.

**Table 12: Eternal Relationship**

<i>External Organizations</i>	<i>Frequency</i>	<i>Percentage</i>
Government	8	23
Development Partners	6	17
Ministries/ Departments	5	14
Customers	5	14
Formal Financial Market	5	14
State Corporations	3	9
Institutions of Learning	2	6
Micro-Financial Institutions	1	3
<i>Total</i>	<i>35</i>	<i>100</i>

The responses indicated that they relate with external organizations (stakeholders) that extend assistance to them in form of variety of resources. Highest percentage of relationship was with the government (23%), followed by development partners (17%) and ministries/departments, customers and formal financial markets (14%). From the lowest mean score were 3%, 6%, and 9% in respect to micro - financial institutions, institutions of learning and related state corporations

**Table 13: Staff Exiting (Labour Turnover)**

<i>Factors Influencing Staff Exiting</i>	<i>Frequency</i>	<i>Percentage</i>
Higher Learning	8	23
Better Career Prospects	7	20
Interpersonal conflict	6	17
Work Underload	5	14
Work Overload	5	14
Induction Crisis	3	9
All of the above	1	3
<i>Total</i>	<i>35</i>	<i>100</i>

The table depicts phenomenon which cause staff exiting. In the order of percentages, the highest was 23% Higher Earnings, followed by 20% Better Career - Prospects, and 17% Interpersonal Conflicts. This phenomenon appears to concur with Blunt (1985) research on circumstances that surrounds employment opportunities in Africa. The lowest

percentages in connection with staff exiting were 3%, 9% and 14%, particularly concerning induction crisis and workload.

#### 4.5 Outlook of Capacity Building Strategic Variables and their Influences

The strategic variables and their implementation are influenced by the external factors/variables hinging on human resources, structure (governance), systems and infrastructure, and general strategies (Tables 4,5,6,8 and 10). The state corporations depend on organizational structures that contain the policy context for sustainable development.

Capacity Building Strategic Variables

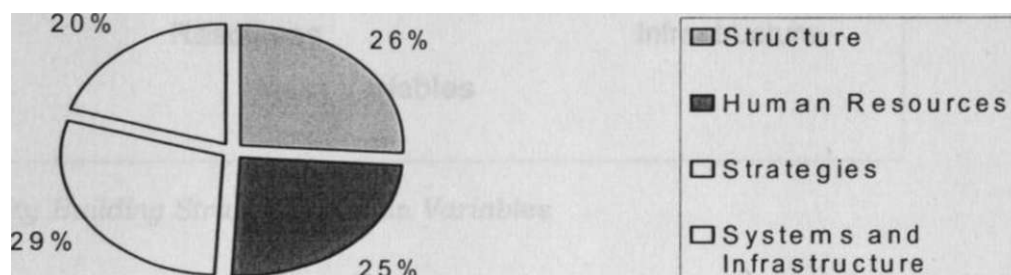


Figure4: Capacity Building Strategic Variables

#### 4.6 Impact of Capacity Building Strategic Variables

The above-cited variables are influenced by external environmental factors as already mentioned in paragraph 4.4 of this chapter. In the state corporations, implementations of the capacity building strategies are influenced within sphere of the chosen main variables by structure (governance), human resources, strategies, and systems and infrastructure as summarised in figure 5. Implementation process requires intensification to enhance productivity. In this regard, there is need to update provision of the human resources, structures, systems and infrastructure and general strategies periodically due to environmental changes.

## Capacity Building Strategic Variables

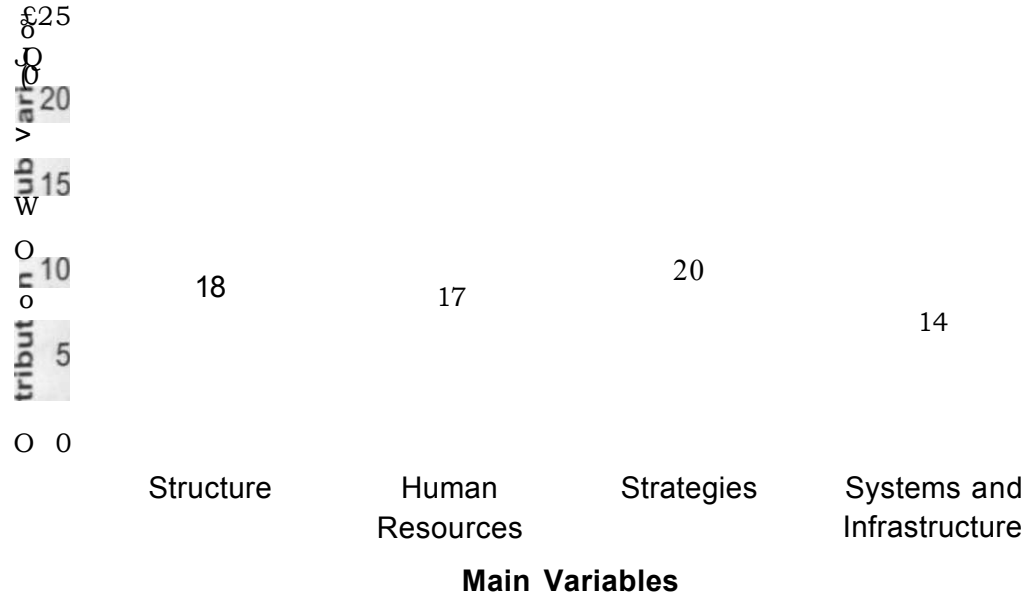


Figure 5 - Capacity Building Strategies - Main Variables

### 4.7 Capacity Building Strategies Enhance Service Delivery

The factors/variables influencing capacity building strategies affect economic survival, and service growth in the corporations. The strategies (human resources, structures, generic and growth strategies; and systems and infrastructure) influence capacity building in the service, regulatory, commercial/manufacturing, financial, research, tertiary and training institutions/corporations. In the corporations, influence of these environmental variables has positive effects on capacity building. The strategies focus to capture financial, strategic performance and decision making in order to enhance performance. Table 5 confirmed that human resource management strategies continue to develop organizational capabilities. The human capital is contributing to the process of developing organizational competence design which influences employee training and development strategy.

In the state corporations, there are management information systems for reporting, analysis, financial and decision-making. Information systems facilitate processing as well as innovation and development of new programmes and knowledge based systems. In the area of information technological infrastructure (table 9) there are website, e-mail,



fax, telephone, computer applications and networks in the state corporations. The study noted that quite a number of the corporations have made efforts to installing updateable information systems in their working environments.

#### **4.8 Useful Information For Reference**

Information pertaining to adopted strategies and practices in the corporations give an opportunity insight for synthesize information on capacity building strategies that would form a basis of reference for research purpose.

#### **4.9 Critique of Findings**

Information indicated in the above paragraphs shall form a basis of further research in other aspects of capacity building strategies; and particularly, information contained in the tables and specified figures of this chapter

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

### **5.1 Introduction**

**This** chapter summarizes the study on capacity building strategies with a view to **establishing** whether there are appropriate measures. Discussions relating to this study **are** included to aid in drawing the conclusions and making recommendations based on **the** findings made.

### **5.2. Summary of the Findings**

The research carried out centered on the capacity building strategies and factors influencing their implementation in the state corporations in Kenya. The findings indicate that capacity building strategies have been implemented at moderate extent and above according to research findings depicted in the tables in chapter three. The findings also indicate that implementation of capacity building strategies in the corporations are influenced by internal and external environmental factors. There are political, legislation, taxation, economic, demographics, socio - cultural and technological factors. It is evident that communication for change from the board of directors on human resource management |Dolicy\_ invigorates staff to formulate and develop new strategies for implementation^The study points that implementation of certain strategies have been slowed down due to external exogenous factory. Nonetheless, the state corporations have implemented human resource management strategies as evidenced in table 4,5 and 11. It is confirmed that human resource strategies focus on investment in staff training and restructuring their competence. It is also confirmed that strategies focus on the pattern of human resource deployments and activities intended to enable the organization to achieve its goals (Wright 1992 p. 289). The study points out that minimal research is undertaken on matters pertaining to factors which influence labour turnover in the corporations.

Performance management systems have anchored in the organization of majority of state corporations (Strategy for Performance Development Improvement in the Public Service-2001). Performance management builds capacity of individuals to perform tasks effectively (table 7). The state corporations performance is embedded in their working environment (Pfferer and Salnciak 1978) due to resource dependence. Training and staff development as a strategy continues to improve ability of state corporations to achieving

their objectives and goals, enhancing performance of workforce, staff individually and collectively.

The survey findings further indicated that most of the corporations adopted departmentalization by functioned structure. The corporation's structure interacts with external environment (Table 13). The structures as management process are tools used to reconfigure the competencies of the organizations. The corporations' structure analysis (Hamel and Prahalad 1994) gives a basis of understanding organization competence and strategic capability in carrying out analysis of the institutional governance, organization design, human resources, and knowledge and systems.

Infrastructure resources complement aspect of the strategic management process in the state corporations (Henders on and Cockborn, 1994). The findings in table 8 indicate that state corporations practice a combination of resources (systems and infrastructure) in the form of capabilities that are developed, integrated, protected and exploited to give competitive advantage (Barney, 1991). The resources such as physical capital, human capital and mixture of tangibles and intangibles (asset, skills or competence) are given supportive resources in production.

The corporations have strategic objectives which influence their actions to achieving goals and purpose. The board represents stakeholders while their role is different from functional management. The board's legislative role is effective in the corporations. The board participates in the formulation of corporate strategic plans and commitment to the mission statements. The board relies on the chief executive officer in managing and administering the corporations.

The study has noted that strategy links the state corporations' resources with external environment. The corporations develop strategies that best suit their strengths and weakness in relative to the environment in which they operate. The survey findings confirmed that analysis of organizations helps the state corporations to identify assets (resources) and competences (capabilities). The analysis influences corporations to develop the next phase of strategic options in the external market environment of customers and competitors through matching the corporations' capabilities with the environment opportunities (Pearce and Robbison 1994). The corporations develop growth strategies such as product expansion, market expansion and product diversification that require human competence to meet environmental opportunities. In

**order** that the corporations survive they need the capacity to building strategies that **match** anticipated internal and external demands or even create market change. The **dynamic** nature of the market requires the corporations to generate new skills and **capabilities** in order for them to remain relevant ( Adriessen 2004)

### **5.3 Conclusion**

The study reveals that the state corporations have the ability to achieve their mission statements so that to sustain themselves. The research reveals that they develop skills and capabilities of individuals. The capacity building of the corporate corporations embodies activities that improve their ability to achieve their objectives. They continue to building aspect of their work by improving governance, leadership, mission and strategy administration (human resources, operational management, financial management, research undertakings and legal matters), program development, and implementation of programs, fundraising by means of shares and fixed deposits. In addition, the corporations boost their aspect of work by initiating income generating projects, diversity, partnerships and collaboration, evaluation of programmes, advocacy and policy change, marketing, positioning and planning. Capacity building strategies in the state corporations influence leadership development, advocacy skills, training/speaking abilities, technical skills, organization skills, and other areas of personal and professional development. The capacity building practices of the corporations are dominated by strategic human resources management factors to the extent of highest in rating. Human resources management practices continue to identifying, recruiting, retaining, and enhancing the performance of workforce (staff) in general. The highest numbers of responses were from state corporations falling within the manufacturing/commercial sectors, followed by regulatory and financial sectors as evidenced in table 2

### **5.4 Recommendations of the Study**

The state corporations rely on Strategic Management Steering Committees to further oversee implementation of strategies through corporate to functional levels. This will ensure that re-engineering of capacity building effectiveness is corporate owned, results oriented, and evidence based. The corporations should strengthen their capacity building framework to customers, clients and stakeholders, prioritise capacity building activities and guide all stakeholders and bench mark their service delivery against global best practice.

## **5.5 Recommendation for further Study**

The corporations need to increase rate of investment in developing the skills of competencies of their personnel. Developing competencies of employees will improve their abilities to enhancing productivity. Need to find out whether the corporations continue to equip employees with the necessary skills, knowledge, attitudes and values that will create significant impact on their overall performance in terms of output, quality, speed and productivity. Training will bring management of strategic change by providing staff with the required knowledge and skills to understand their respective roles. The statistics support that there is need to undertake research on the issue of attracting, recruiting, and retaining staff for the benefit of enhanced service delivery to narrow gaps in the corporations. To embark on trends of research to establish whether the implemented strategies deliver competitive quality service in the global market. The future research undertakings should focus on finding out to what extents the Value Chain - Porter Model is practiced in the state corporations.

## **5.6 Limitations to the Study**

Due to financial and time constraints, the survey could not cover exhaustively entire population. However, the study undertaken by the researcher was accomplished as purposed. Delays in receiving the duly completed questionnaires from the respondent corporations hampered detailed analysis of data. Heavy costs and expenses were incurred in respect of data collection, follow-ups on delayed questionnaires, data analysis process, cell phoning, transport, stationery, man-hours and extraction of data from internet.

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TO WHOM IT MAY CONCERN



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**MBA PROGRAM - LOWER KABETE CAMPUS**

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TO WHOM IT MAY CONCERN

The bearer of this letter

Registration No

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 organisation for his research.

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

**J T KARIUKI**  
**COORDINATOR, MBA PROGRAM**

**SURVEY QUESTIONNAIRE**

**SURVEY QUESTIONNAIRE ON CAPACITY BUILDING STRATEGIES OF THE KENYA STATE CORPORATIONS-2006**

The questionnaire seeks to establish capacity building strategies in the State Corporations in Kenya. The information in the questionnaire will be confidential and will not be used for any other purpose other than academic. The researcher will be able to clarify issues pertaining to data collection period.

*guidelines*

- > Please complete the questionnaire, assessing your organization's (state corporation) capacity in the listed order.
- > If a question is not applicable, please mark N/A. and if you have no knowledge of the question mark N/K

For each of the question kindly determine the most suitable description or select the answer that most closely describes your organization's (state corporation) capacity building strategy.

**SURVEY QUESTIONNAIRE ON CAPACITY BUILDING STRATEGIES IN THE STATE CORPORATIONS IN KENYA**

SECTION ONE

Organization (State Corporation) Name

Respondent's Title

• When was the organization established?

-Business nature of the organization

• The organization has the strategic plan. Yes  No

- The Organization spelt out its Vision. Yes  No

• The Organization spells out its Mission Statement. Yes  No

• The Organization has spelt out its Strategic Objectives.  Yes  No

Has the organization spelt out its Charter? Yes  No

**SECTION TWO**

10. Please tick the level of extent that mostly matches the situation in your organization.

1. To no extent      2. To a less extent      3. To a moderate extent  
 4. To a large extent   5. To a very large extent

	1	2	3	4	5
At what extent the Organization's Boards of Directors represent the diversity of stakeholders					
To what extent the Organization's Board comprises of the Directors from diverse professional backgrounds					
To what extent the Board of Directors participate in development of the organizations vision, mission and strategies					
Commitment of the Board of Directors as measured by the frequency of meetings attendance is at what extent					
To what extent is the Board involved in discharging its legislation role					
To what extent is the Board involved in contributing to socio- economy-cultural systems in the country					
To what extent is the recognition and appreciation of senior management role by the Board of Directors					
To what extent is the Board's role influenced by external environment					
To what extent is the Board role differentiated from the Organization Management					
To what extent is the Board rely on the Chief Executive Officer					

11. Which type or types of structure is appropriate for your organization as dictated by strategy.

- Departmentalisation by function • Departmentalisation by customer •
- Departmentalisation by products • Matrix relationship department •
- Departmentalisation by geographic territory d Project department •
- Departmentalisation by combination approach ^

— Lack of organizational structure lowers staff motivation and morale, delayed decisions, perpetual conflicts between departments and rising costs and inflexible bureaucracy

Yes • No •



3. Institutional formulation of policies, plans, legal framework, and incentives support **environment** in which organisation process and decision-making takes place.

Yes E No 0

14. Does the organization carry out analysis of the institutional governance, organization structure, human resources, knowledge and systems. Yes • No •

15. Good governance enhances effectiveness, competitiveness and separation of Ownership and control as far as management of business concerns. YesD No •

16. Organization with capacity is able to focus, direct, strategize and innovate, respond and adapt to the changing environment. Yes <sup>1=1</sup> No <sup>1-1</sup>

17. Organization revamps its operational capacity using strategies such as increased staff training, greater use of volunteers or more public outreach programmes to reduce costs of delivery of service or building viable programmes. Yes D No

18. Capacity building provides the individuals with the intellectual skills, and the institutions with the skills. Yes • No •

19. Staff grading structure facilitates determination of salary scale in terms of value of each job position on the basis of evaluation. Yes d No D

20. Growth strategies such as product expansion, market expansion, and diversification acquire organizational capabilities. Yes • No •

The organization strategies links with environment so as to match its resources and activities to the environment in which it operates. Yes D No •

I

22. The human resource strategy creates sustained competitive advantage to maximize contribution of the organization (state corporation) Yes ^ No ^

23. Human resource plays a central role in linking employee capabilities with the performance requirements of the organization (state corporation) Yes • No •

24. The organization performance depends on human talent and capabilities of employees Yes ^ No d

5. Unity of direction in organization's performance is critical for successful leadership, vision initiative, motivation and inspiration Yes • •

26. A strategy is a plan of how the organization achieves its goals and objectives. Yes • No •

27. Tick the strategies that has been implemented by your organization

- market development •• innovation
- diversification dH turnaround
- alliances CZ1 consortia
- product or service development

28. Organization stages a competitive strategy within its organizational structure to respond to the new environmental changes. Yes d No I'

29. Political, economical, socio-culture, population and technological variables present the organization with opportunities, threats, and constraints Yes • No •

30. Organization is occasionally confronted with external speed of change in uncertain environment Yes ' No '

31. Strategic management steering committee steers Integrated Development Project. Yes • No •

12. Which of the following factors(s) influence staff turnover in the organization?

- Leaving for higher learning •
- Better career prospects ^
- Strain from interpersonal conflict O
- Work under load ^
- Induction crisis •
- Work overload or work •
- All of the above

The strategy is articulated and understood throughout corporate organization Yes a No 1=3

34. The corporate level concerns the direction of composition and coordination of the various business activities Yes Q NO  $\bar{J}$
35. The business level brings together the operation and direction of each of the individual business within a group of strategic business units.  
Yes • No •
36. The functional level concern individual's business functions and processes such as marketing or human resources Yes ' No E"
37. The organization's strategic and operating responses determine the structure of authority, responsibility, work and information flow within the organization's set up.  
Yes • No •
38. Organization's capacity building entails strategies that improve its ability to achieve its objectives and goals or help to improve ability of the staff individually and collectively. Yes • No •

**SECTION THREE**

39. Please tick the level of extent that mostly matches your organization human resource management and development practices
- To no extent 2. To less extent 3. To a moderate extent  
4. To a large extent 5. To a very large extent

Commitment of Organization to its Mission Statement	1	2	3	4	5
Organization relies on job descriptions and job specifications (academic/technical qualifications) when recruiting staff.					
Does the organization achieve its strategic objectives relying on human resource development?					
Human resource management impact positively to improve performance of the organization					
To what extent management communication for change aligns organization support for change.					

<b>Extent of management involvement in establishing winning relationships with staff and stakeholders</b>					
<b>Delivery</b> of positive message, empowerment and service delivery by staff.					
<b>To</b> what extent are non financial (qualitative) measures developed and implemented by organization					
<b>Management involvement in financial and non-financial judgment and decision-making.</b>					
Matrix performance facilitates achievement of objectives of project management, entrepreneurship and research initiatives.					
Management understanding of contribution of other institutions to the sector in which it operates.					
Organization involves in benchmarking with customer preference, quality of service delivery time of service, after sales, market share and growth enhance performance.					
The external customers are satisfied with internal relationship of the organization e.g. quality of service delivery, honesty, integrity,					
Extent of the management team's reliance on the Chief Executive Officer as a leader.					
Extent of the staff multitasking, capability and receptiveness to new ideas and innovation capabilities.					
The organization (state corporation) applies collective skills, abilities and expertise of the organization structures					
Human resource practices comprise a system of many interdependent activities that none of them occur in isolation					
Human resource infrastructure provides the function, the systems and the employee behaviours in the dimension of value chain performance.					



42. Impact of human resource management practices on the organization performance is **conditioned** by human resource strategy. Yes ^ No

43. Which of the cadres (personnel) that your organization experiences difficulty in recruiting, motivating, and retaining in the employment e.g.

- human resource manager      d      marketing manager D      accountants      C      finance manager      •      quality control manager      •      engineers      •
- public relations manager      ^      shipping personnel      O      medical personnel      •
- hydrologists      '      Agricultural extension officer      D,      project management officer D

44. Developing human and institutional capacity without restructuring recruitment and reward system would not help retain skilled professionals Yes 1—'      No ^

**SECTION FOUR**

45. Please tick in bold the level that mostly matches the organizations concern with knowledge and information bases

- 1. To no extent                      2. To less extent      3. To a moderate extent
- 4. To a large extent                5. To a very large extent

Systems capture, document and disseminate knowledge within the organization	1	2	3	4	5
Awareness and frequency of use of knowledge bases by staff levels					
Organization owns adequate physical infrastructure such as telephones, fax, email computer applications, network among others to facilitate efficiency and effectiveness.					
Website owned by organization holds relevant information that is updated in event of significant change					
Management Information System (MIS) links reporting relationship, analysis of data, and financial process with other organizational information systems.					

SECTION FIVE

**46. Please tick in bold the level that mostly matches the organizations concern with knowledge and information bases**

- 1.** To no extent                      **2.** To less extent              **3.** To a moderate extent  
**4.** To a large extent                      **5.** To a very large extent

	1	2	3	4	5
To what extent do you perceive the HR manager as career guidelines formulator					
Do you perceive the HR manager as a strategic partner					
To what extent is the line manager perceived as strategic leader					
To what extent do you as a manager believe that personnel or human resource function is important to the organization					
To what extent does the top management show commitment and leadership in human resource knowledge					
To what extent are demands of workload and responsibilities match with the capability of the organization					
To what extent have measures of customer reactions been practiced					
To what level do the organization form enduring relationships of trust with targeted customers					
To what extent the employee share an intellectual behavioural, and procedural agenda for the strategy					
Rate your organization involvement in influencing policy making at national level.					

47. How many on-going development or integrated development projects are in place?

48. How many on-going development or integrated development projects are due completion.....or completed?

Capacity building undertaken through any or the combination of the following.

- On- the- job training •
- Formal Apprenticeship •
- Job enlargement or •
- Correspondence courses/ •
- Universities /Colleges
- Off- the- job training
- Rotation among series of job
- Enrichment Programmes D
- Distance learning j—

50. Indicate total number of staff in the organization and also staff against the following levels.

- Senior Management Level
- Middle Management Level
- Supervisory Personnel Level
- Operational Personnel Level

51. Indicate **tick** whether Staff are adequate or **x** in terms of inadequacy according to general requirements of the establishment at the following levels

	<i>Tick</i>	<b>x</b>
Senior management	●	●
Middle management	•	●
Supervisory personnel	●	●
Operational personnel	●	●
Support Staff	●	●

52. Tick from the following entities which the organization relate with externally

- Government Ministries/Departments D
- Micro Finance Institutions ●
- Formal Financial Markets ●
- Other/ State Corporations ●
- External Relationships with customers ●
- Relevant Development Partners
- Institutions of Learning D



53. The organization external relationship help in anticipating and dealing with environmental challenges. Yes • No •

54. Interrelated levels in a hierarchical order covers technical levels, management level and interrelationship of levels in the organization.

Yes • No •

**LIST OF SELECTED STATE CORPORATIONS****STATE CORPORATIONS**

1. National Bank of Kenya
2. Industrial Development Bank
3. Kenya Industrial Estates
4. National Hospital Insurance Fund
5. Kenya Broadcasting Corporation
6. Kenya Literature Bureau
7. Kenya Medical Supplies Agency
8. Kenya Power and Lighting Company Limited
9. Kenya Wines Agencies
10. National Cereals and Produce Board
11. National Water Conservation and Pipeline Corporation
12. University of Nairobi Enterprises and Services Limited
13. Postal Corporation of Kenya
14. Commission for Higher Education
15. Council for Legal Education
16. Electricity Regulatory Board
17. Industrial and Commercial Development Corporation
18. Agricultural Development Corporation
19. Kenya Bureau of Standards
20. National Environment Management Authority
23. Kenya Railways Corporation
24. Telkom Kenya Limited
25. National Oil Corporation of Kenya
26. NGO Coordination Bureau
27. Coffee Board of Kenya
28. Kenya Reinsurance Corporation
29. Agriculture Development Bank
30. University of Nairobi
31. Kenyatta University

32. Jomo Kenya University Agriculture and Technology
33. Kenya Dairy Board
34. Kenya Institute of Public Policy Research Analysis
35. Kenya Medical Research Institute
36. Kenya Pipeline Corporation
37. National Bank of Kenya
38. Kenya Industrial Property Institute
39. Capital Markets Authority
40. Kenya Utalii College
41. Nairobi Water Services Board
42. Export Promotion Council
43. Kenya Ports Authority
44. Kenya Marine and Fisheries Research and Institute
45. Kenya Maritime Authority
46. Kenya Ferry Services
47. Tana and Athi River Development Authority
48. Lake Basin Development Authority
49. Coast Development Authority
50. East African Portland Cement Company

## ANALYSIS OF OUTPUT STATISTICS

Name of Organization	Frequency	Percent	Valid	
			Percent	Cumulative Percent
AFC	1	2.9	2.9	2.9
KIE	1	2.9	2.9	5.8
KDC	1	2.9	2.9	8.7
KRC	1	2.9	2.9	11.6
NBK	1	2.9	2.9	14.5
KTDA	1	2.9	2.9	17.5
CBK	1	2.9	2.9	20.3
KBS	1	2.9	2.9	23.2
NEMA	1	2.9	2.9	26.1
MA	1	2.9	2.9	29
KDB	1	2.9	2.9	31.9
ERB	1	2.9	2.9	34.8
KRC	1	2.9	2.9	37.7
KLB	1	2.9	2.9	40.6
NCPB	1	2.9	2.9	43.5
NWCPC	1	2.9	2.9	46.4
NOCK	1	2.9	2.9	49.3
KPA	1	2.9	2.9	52.2
KBC	1	2.9	2.9	55.1
NGO	1	2.9	2.9	58
KIRDI	1	2.9	2.9	60.9
KMFRI	1	2.9	2.9	63.8
NMK	1	2.9	2.9	66.7
KUC	1	2.9	2.9	69.6
ADC	1	2.9	2.9	72.5
LVSWSB	1	2.9	2.9	75.4
LBDA	1	2.9	2.9	78.3

KU	1	2.9	2.9	81.2
KEMSA	1	2.9	2.9	84.1
UN	i	2.9	2.9	87
CMA	1	2.9	2.9	89.9
CDA	1	2.9	2.9	92.8
KVDA	1	2.9	2.9	95.7
KFS	1	2.9	2.9	97.1
TCS	1	2.9	2.9	100
Total	35	100	100	

#### Nature of Business

	Frequency Percent		Valid Percent	Cummulative Percent
Financial	6	17	17	17
Commercial	4	11	11	28
Regulatory	3	9	9	37
Research	4	11	11	48
Service	2	6	6	54
Authorities	1	3	3	57
Tertiary - Education	8	23	23	80
Public Universities	2	6	6	86
Manufacturing	5	14	14	100
Total	35	100	100	

**YEAR OF ESTABLISHMENT**

	Frequency	Percent	Valid percent	Cumulative Percent
1920 - 1925	1	2.9	2.9	2.9
1926 - 1930	1	2.9	2.9	5.8
1931 - 1935	1	2.9	2.9	8.7
1936 - 1940	1	2.9	2.9	11.6
1941 -1945	2	6	6	17.6
1946 - 1950	4	11	11	28.6
1951 - 1955	2	6	6	34.6
1956 - 1960	1	2.9	2.9	37.5
1961 - 1965	1	2.9	2.9	40.4
1966 - 1970	1	2.9	2.9	43.3
1971 - 1975	1	2.9	2.9	46.2
1976 - 1980	2	6	6	52.2
1986 - 1990	2	6	6	58.2
1991 - 1995	2	6	6	64.2
1996 - 2000	2	6	6	70.2
2001 - 2005	1	2.9	2.9	73.1
2006 - to date	1	2.9	2.9	74
No Response	9	26	26	100
	35	100	100	