STRATEGY EVALUATION AND CONTROL AMONG DAIRY PROCESSING FIRMS IN KENYA

BY:

JULIE NYAGUTHII KARIUKI

A Management Research Project Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (M.B. A), School of Business, University of Nairobi.

October, 2008

DECLARATION

This research project is my original work and has never been presented in any other University /College for the award of any degree.

Kariuki J.N
D61/P/7819/01

17/11/05

Date

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

Mr. JaclcsonMaalu
Lecturer, Department of Business Administration

V- w o

Date

DEDICATION

This report is dedicated to my late mother, Lydiah and father, Daniel for shaping and influencing my life in a great way. It is also dedicated to my late husband, Joe for making me realize the importance of advancing my knowledge through this M.B.A program and for his love and immense support in all aspects of my life. I also dedicate it to our children; Neville, Vanessa, Leon and others to come for making me have a different meaning about life and who represent one of the manifestations of God's love for me.

ACKNOWLEDGEMENT

This study could not have been complete without the contribution of many individuals who require to be acknowledged. My gratitude goes to my supervisor Jackson Maalu for his advice and critical appreciation of this study. I thank the entire University of Nairobi academic staff for their effective lecturing and for making me realize that there is no end to learning. Am very grateful for the support, encouragement and inspiration I received from my partner Patrick Wachira without which I could not have been challenged to keep moving on when things got tough. My thanks also go to all the respondents who agreed to share critical information with me which ensured that I completed my field work effectively. Finally, I am grateful to God, my creator and giver of everything for always being there and for helping me realize my dreams.

ABBREVIATIONS

EPC	Export Processing Council
K.C.C	Kenya Cooperative Creameries
KDB	Kenya Dairy Board
ICT	Information Communication Technology
CEOs	Chief Executive Officers
ILRI	International Livestock Research Institute
TNS	TechnoServe
GOK	Government of Kenya

ABSTRACT

Today's rapid changing business environment is calling for an innovative approach to strategic management. Research reveals that unsuccessful implementation of strategies and lack of strategy evaluation mechanisms leads to underperformance of companies. Though the importance of strategy evaluation has been recognized by most authors, Brown and Agnew (1982) note that evaluation and control is a very challenging and complex undertaking for most organizations. Therefore, strategy evaluation and control has become an emerging area of concern to most organizations today and can no longer be ignored.

According to an industry competitiveness study carried out by TNS (2004), small and medium scale firms are mostly affected by changes in the environment due to their capacity challenges yet they have the potential to move to the next level and contribute more to industry growth. For the Kenyan dairy industry to grow and develop, small dairy processing firms must become medium while medium firms need to get large and finally large companies must move to mega stage. This growth and expansion requires the adoption of strategic management by all sizes of firms which include critical aspects of strategy evaluation and control. This study therefore sought to bridge the existing knowledge gap by establishing how strategies are evaluated and controlled within dairy processing firms in Kenya and the challenges these firms face during strategy evaluation.

The population of this study consisted of all dairy companies operating in Kenya and listed by Kenya Dairy Board (KDB). KDB (October 2008) had listed 34 dairy processors which included small, medium and large companies. Primary data sources were utilized to collect the relevant data for this study through a questionnaire. Out of 34 targeted respondents, this survey interviewed 21 firms, 3 were not operational and 10 declined to participate in the interviews. It was found out that, all the 21 companies interviewed do not achieve all their documented strategies. This is line with the findings of the literature review where several studies conducted in different countries have yielded the same results. According to 63% of these firms, lack of understanding of strategy evaluation and control is the key challenge facing them while lack of financial resources to develop and implement strategy evaluation and control systems was also cited as a key challenge by 52% of respondents.

From these findings, this study concludes that dairy processing companies need to take a different strategic orientation where strategy evaluation and control becomes a central theme for building competitiveness and improving performance. Key areas to start with would be to start committing resources to strategy evaluation and control systems; investing in the right strategy and evaluation structures; exposing/demystifying and involving key stakeholders in strategy evaluation and control; and incorporating strategy evaluation and control in strategic planning.

Key limitations included non-response and unavailability of key respondents. The study recommends that researchers in strategic management can take the topic of strategic evaluation and control further by conducting a case study on one of the dairy processing companies in Kenya. This study has been organized into 5 chapters. Chapter one gives an introduction, chapter two looks at the literature review, chapter three gives the research methodology, and chapter four discusses the findings while chapter 5 gives a summary of the findings and recommendations.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION

1.1 Background

Strategic management has been defined differently by various authors and management practitioners. Jauch and Glueck (1998), Pearce and Robinson (1997) define strategic management as a stream of decisions and actions, which leads to the development of effective strategies to help achieve corporate objectives. Teece (1984:87) defines strategic management as "the ongoing process of ensuring a competitively superior fit between the organization and its ever changing environment". This definition recognizes the fact that the process of strategic management is ongoing, requiring corrective adjustments in the light of actual experience, changing conditions, new ideas and opportunities, a process that Thompson and Strickland (1990) refer to as "recycling".

Johnson and Scholes (2001) recognize that strategic management is different from other aspects of management and considers strategic management to be comprised of the process of strategic analysis, strategic choice and strategy implementation. While this is a theoretical model of strategic management approach, the authors caution managers to avoid considering strategic management as an orderly sequence of steps that happen in a linear manner. The primary tasks of strategic management are to understand the environment, define organizational goals, identify options, make and implement decisions, and evaluate actual performance. Thus, strategic planning aims to exploit the new and different opportunities of tomorrow, in contrast to long-range planning, which tries to optimize for tomorrow the trends of today (Drucker, 1980).

Lamb (1984) considers strategic management as an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment. However, Hamel and Prahalad (2003) consider the traditional strategic fit approach to strategy as ill-defined, historical and limiting. These authors strongly emphasize for a paradigm shift where companies move beyond resource view strategy, envision their desired future leadership position, disengage themselves from past successes and democratize management.

The strategic management process is dynamic and continuous. A change in any one of the major components in the process can necessitate a change in any or all of the other components. For example a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy or structure; or a major competitor's change in strategy could require a change in the firm's objectives. Therefore strategic management process is based on the belief that organizations should continually monitor internal and external events and trends so that timely changes can be made as need arises (David, 2001). This definition views strategic management as a continuous cycle of activities with results of each step being used as a basis for developing the next activity.

Strategy evaluation and control is therefore viewed as a key component in providing the necessary information of how well the organization is achieving its strategic objectives

According to Covey (2004) strategic analysis and choice are of little value to an organization unless the strategies are executed. The author further notes that, strategic management helps organizations to gain and sustain competitive advantage and to be more proactive than being reactive in coping with the changes in the competitive environment. Yet managements' failures in strategy execution are far more common than their successes. The variance between strategic plans and strategic results leads to strategic gaps. One of the challenges facing organizations today is how to determine whether any gaps exist (American Management Association, 2005). This implies that an evaluation and control system that helps an organization to set strategic targets and track performance on a continuous basis is integral component of strategic management.

McKnight (2001) observes that the ratio of books in print on the subject of strategic formulation to those on the subject of strategic implementation and evaluation is 70:1. Norton (2001) notes that there have been a number of studies on the success rate companies have in executing strategy, and they generally conclude that something like nine out of ten organizations that have strategies fail to execute them. In a Fortune magazine article, Walter Kiechel, cites research which shows that only 10 percent of formulated strategies actually get implemented. McKinsey (2006) confirmed this observation through findings from their global survey of top executives which found that majority of executives were happy with their company strategies but dissatisfied with strategy execution. This reveals that company performance has become an important aspect of strategic management and hence the need for managers to ensure that the right strategy evaluation programs are implemented for improved performance. This implies that strategy evaluation and control can no loner be ignored.

1.1.1 Strategy Evaluation and Control

Rumelt (2000) notes that, the basic premise of strategic management is that the chosen strategy will achieve the organizations mission and objectives. A firm's successive strategies are greatly affected by its history and often take shape through experimentation and ad hoc refinement of current plans. Therefore, the reexaminations of past assumptions, the comparison of actual results with earlier hypothesis needs to become common features of strategic management. According to Rumelt (2000), strategy can neither be formulated nor adjusted to changing circumstances without the process of strategy evaluation. Whether performed by an individual or as part of an organization review procedure, strategy evaluation forms an essential step in the process of guiding an enterprise (Rumelt, 2000).

Strategy evaluation and control process is intended to serve as a mechanism for keeping the plan as closely on track as possible. Evaluation is a mechanism for identifying and acting upon opportunities to improve the organizations overall effectiveness by improving management system and processes. It is also the basic element in the organizations learning process (Thompson and Strickland 1995). Strategic management therefore needs to be a continuous process. As performance results or outcomes are realized at any level of the organization, companies must assess the implications and adjust the strategies as needed (Coulter, 2005). In addition, as the company grows and changes, so will the various strategies. Existing strategies will change and new strategies will be developed. This is all part of the continuous process of improving the business through an evaluation and control mechanism in an effort to succeed and reach company goals (Coulter, 2005).

1.1.2 Dairy Industry in Kenya

Kenya's economy is heavily dependent on agriculture. An estimated, 75% of Kenyans earn their living from farming either directly or indirectly. Agriculture contributes over 6% of foreign exchange earnings and provides raw materials for Kenya's agro-industries, which account for about 70% of all its industrial production. Kenya has one of the largest dairy industries in sub-Sahara Africa. Developments in the industry span over a period of 90 years and have undergone various evolutionary stages. In the first 60 years it was dominated by large-scale white farmers, while in the last 30 years smallholder farmers have increasingly dominated the sector, contributing over 80% of the total milk production (Export Promotion Council (EPC), 2005).

The industry has been heralded as a key driver of the government's Economic Recovery Strategy and important to the achievement of vision 2030. Before the post election violence, the industry was recording significant growth having recorded 3.8 billion litres in 2007 which is a 37% growth compared to 2006 (Kenya Dairy Board, 2008). At this rate, the dairy sub-sector has recorded the fastest and consistent agricultural rise than any other sub-sector in Kenya. The industry revenue value is estimated to be $810 million with more than 1.2 million households thought to be involved at the production level of the value chain, many of whom are rural poor. For these households, dairy is the leading source of agricultural income contributing to 20% of household income (TechnoServe Kenya, 2006).

The sector has evolved through three market periods; for the period up to 1969 it operated as an open market with various independent dairies being active market players; between 1969 and 1992 and primarily due to the rationalization of the dairy industry by the Government, a monopolistic market situation was created; from 1992 the Government liberalized the industry. Kenya Co-operative Creameries (K.C.C) enjoyed a protected monopoly in the marketing of the milk and dairy products (International Tivestock Research Institute, (ILRI) 2003). Kenya is largely self-sufficient in milk production and Kenyan has the highest milk per capita consumption in the world. Currently, the production stands at 3.8 billion litres per annum from an estimated 3.3 million dairy cows (KDB, 2008).

Milk market liberalization policies announced in 1992 opened up the processed milk market, which hitherto was monopolized by K.C.C. The objective of the reforms was to encourage private investments in milk processing and deregulation of both producer and consumer prices. The industry has become dynamic with decline/rebirth of K.C.C and influx of many small-scale processors. The industry has two value chains; formal and informal. The informal market controls an estimated 80% of total milk sold, while formal market accounts for only 20% (EPC, 2005; ILRI, 2003; KDB, 2007).

Since 1992, a total of 52 milk processors have been licensed by KDB, by end of March 20008, only 24 of the processors were in operation. The installed processing capacity is estimated at 680 million litres per year (2.2 million per day), but less than 30% is currently being utilized (KDB, 2008). The top players include Brookside, K.C.C, Githunguri and Spinknit who are processing and marketing products that include packed fresh milk, yoghurt, butter cheese and ghee. Milk demand is currently estimated at 2.6 billion litres and is expected to grow by 4% per annum in the next six years.

According to KDB (2008) the structure of post-liberalization dairy sector in Kenya is characterized by lack of co-ordination between production, processing and marketing. This lack of vertical co-ordination continues to impact negatively on the performance and efficiency of the sub-sector. The following is a summary of challenges across the dairy value chain: Production; high cost of production, lack of reliable industry data, unethical business practices, low adoption of appropriate dairy production technologies, lack of access to markets and market information; Transport; poor infrastructure, milk adulteration, milk processing and marketing; competition, high cost of processing and packaging, poor infrastructure, low exports and threat of imports (Tegemeo Institute, 2006). Therefore strategic management can be useful to dairy companies in helping them achieve high performance and remaining competitive now and in the future. However, strategy development must be followed by strategy implementation and results of implementation need to be evaluated so that dairy companies can know whether they are on the right strategic path.

1.2 Statement of the Research Problem

Today's rapid changing business environment is calling for an innovative approach to strategic management. The current emphasis is on market driven approaches (Gunn, 1988; Thompson, 1990). Research reveals that unsuccessful implementation of strategies and lack of strategy evaluation mechanisms leads to underperformance of companies (Mckinsey, 2008). Though the importance of strategy evaluation has been recognized by most authors, Brown and Agnew (1982) note that evaluation and control is a very challenging and complex undertaking for most organizations. Some of the obstacles are; poor perception by employees who view review mechanism as routine and a source of punishment but not growth; poor organizational structure, poor evaluation criteria; lack of proper communication; poor leadership; lack of understanding of a company strategy; lack of resources, lack of understanding of strategy evaluation and over emphasis on financial controls (McKnight, 2005). Therefore, strategy evaluation and control has become an emerging area of concern to most organizations today and can no longer be ignored.

According to an industry competitiveness study carried out by TNS (2004), small and medium scale firms are mostly affected by changes in the environment due to their capacity challenges yet they have the potential to move to the next level and contribute more to industry growth. For the Kenyan dairy industry to grow and develop, small dairy processing firms must become medium while medium firms need to get large and finally large companies must move to mega stage. This growth and expansion requires the adoption of strategic management by all sizes of firms which include critical aspects of strategy evaluation and control. Hence this study will investigate how well dairy processing firms are positioned in moving to the next level in order for them to remain competitive in the future through an analysis of their strategy evaluation and control practices.

Given that each industry and organization is unique, previous findings of studies in other industries are not useful in helping practitioners understand strategic management practices in the dairy industry. Further, there exists limited literature of strategy evaluation and there is urgent need to build knowledge in this area because the dairy industry is important to the Kenyan economy and wealth creation. An analysis of industry statistics reveal that an estimated 80% of the dairy industry market is controlled by the informal market in terms of milk volumes. The remaining 20% is controlled by the formal market but has the highest value. Industry experts have argued that in order to ensure that the dairy industry contributes more than the current 4% to Kenyan GDP, more milk volumes must go through the formal channels for it to be processed into high value products (TNS, 2004).

According to McKinsey (2008) most of the existing strategic management literature is devoid of strategy evaluation and performance measurement information yet companies need to develop a culture of learning which ensures continuous improvement of all processes, structures and systems for improved results. Therefore, the lines between strategy formulation, execution and evaluation are becoming less distinct. Different researchers have carried out studies to document strategic management in general in Kenya (Aosa, 1992; Kangoro, 1998; Koske, 2003; Musyoki, 2003). Their findings imply that; though strategic management is the same all over the world, the context in which it's practiced vary from culture, region, industry and companies. Strategy implementation has also started getting attention from a number of researches in the last decade. A number of studies carried out on strategy implementation include (Michael, 2005; Muthuiya, 2005; Machuki, 2005; Ochanda, 2005; Basil, 2006; Benson, 2006; Gumo, 2006; Gioche, 2006).

However, existing literature does not document strategy evaluation and control which is a critical component of strategic management. This study therefore seeks to bridge the existing knowledge gap by establishing how strategies are evaluated and controlled within dairy processing firms in Kenya and the challenges these firms face during strategy evaluation.

1.3 Objectives of the Study

This study has two objectives:

(i) To establish strategy evaluation and control practices among dairy processing firms in Kenya and,

(ii) To determine the challenges that these firms are facing in strategy evaluation.

1.4 Importance of the Study

The study will be useful in different ways. Managers of different types of organizations will draw applicable lessons from this report while managers of dairy processing companies will find this report useful in understanding how well they undertake their strategy evaluation and control programs. Results of this study will bridge the gap in knowledge on strategy evaluation and control while scholars will benefit by expanding their body of knowledge in strategy evaluation and control practices in the dairy industry. Finally, dairy stakeholders will have vital information on what works and what doesn't work in strategy evaluation and relevant government bodies will find this study useful in setting dairy industry policies.

1.5 Structure of the Report

This study has been organized into 5 chapters. Chapter two looks at the literature review; chapter three discusses the research methodology while chapter four details the findings of this study. Finally, chapter five gives the summary of findings, recommendations and conclusions.

CHAPTER 2: LITERATURE REVIEW

2.1 Overview of Strategic Management

Strategic management has been defined differently by various authors and management practitioners. Johnson and Scholes (2001) recognize that strategic management is different from other aspects of management and considers strategic management to be comprised of the process of strategic analysis, strategic choice and strategy implementation. While this is a theoretical model of strategic management approach, the authors caution managers to avoid considering strategic management as an orderly sequence of steps that happen in a linear manner.

Jauch and Glueck (1998), define strategic management as a stream of decisions and actions, which leads to the development of effective strategies to help achieve corporate objectives. Teece (1984:87) defines strategic management as "the ongoing process of ensuring a competitively superior fit between the organization and its ever changing environment". This definition recognizes the fact that the process of strategic management is ongoing, requiring evaluation and corrective adjustments in the light of actual experience, changing conditions, new ideas and opportunities, a process that Thompson and Strickland (1990) refer to as "recycling".

According to Hoffman and Hertgaty (1989), strategic management is concerned with top management behavior and processes in developing organizational structure and in determining the efficacy of these strategies for coping with organizational environment. This definition lays emphasis on the role of top management and leaders in an organization in the development of strategy and also gives prominence to the concept of organizational structure (Muhoro, 2004). Pearce and Robinson (1997) noted that strategic management is the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organization. Since resources are scarce managers must decide which alternative strategies will benefit the firm most. For any organization to succeed, it will be necessary for top management, managers and employees to work as team to achieve the company goals and objectives (Kandie, 2001)

Drucker (1974) and later Porter (1990) observed that the key task of strategic management is thinking through the overall mission and vision of the business. That is asking the questions "What is our business? Where are we? Where do we want to go? How do we get there? This leads to the setting of objectives, development of strategies and making of today's decisions for tomorrow's results. This must be done by those in the organization who can see the entire business, that can balance objectives and the needs of today against he needs of tomorrow and that can allocate human and financial resources to key results. The right formulation of the mission statement will guide the company to set objectives and goals which will provide the basic direction and framework within which all the activities of the company will take place (Kandie, 2001).

David (2001) noted that strategic management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. These definitions imply that strategic management focuses on integrating management, marketing, finance, production, research and development and information communication technologies to achieve organizational success. Hunger and Wheelen (1999) define strategic management as a set of managerial decisions and actions that determine the long run performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation evaluation and control. The study of strategic management therefore emphasizes the monitoring and evaluation of external opportunities and threats in light of a company's strengths and weaknesses. Pearce and Robinson (1997) note that strategic management involves attention to planning, directing, organizing, evaluating and controlling of strategy related decisions and actions of the business.

The strategic management process is dynamic and continuous. A change in any one of the major components in the process can necessitate a change in any or all of the other components. For example a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy or structure; or a major competitor's change in strategy could require a change in the firm's objectives. Therefore strategic management process is based on the belief that organizations should continually monitor internal and external events and trends so that timely changes can be made as need arises (David, 2001). This definition views strategic management as a continuous cycle of activities with results of each step being used as a basis for developing the next activity. Strategy evaluation and control is therefore viewed as a key component in providing the necessary information of how well the organization is achieving its strategic objectives.

Thus although strategic management has been defined in different ways, by different authors, the common thread running through these definitions is that a firm must build sufficient internal capabilities to match the environmental changes and formulate strategies to exploit opportunities presented by the environment (Kandie, 2001). These definitions also recognize strategy evaluation as a key element of strategic management which helps an organization to keep track of internal and external changes and adjust key strategic assumptions, strategic thrusts, objectives as well as targets and milestones on a continuous basis. According to Aosa (1992), each organization's experience with strategic management is unique, reflecting the organization's distinct culture, environment, resources, structure, management style and other organizational features. This implies that it is necessary to document knowledge on how different organizations practice strategic management.

Historically, the principal benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical, and rational approach to strategic choice. Research indicates that organizations using strategic management concepts are more profitable and successful than those that do not (Schwenk and Schrader, 1993). Similar studies were carried out by Ansoff et al (1970) in the U.S.A on the manufacturing firms and found that formal planners who took a strategic management approach out performed non planners in terms of financial criteria that measured sales, assets, sales price, earnings per share and earnings growth. In addition to financial benefits, strategic management offers other tangible benefits such as enhanced awareness of external threats; improved understanding of competitor's strategies, increased employee productivity and reduced resistance to change (Kandie, 2001).

2.1.1 Development of Strategic Management

Formal strategic management seems to have its beginnings in the 1950s in the United States of America (Aosa, 1992). Early writers that addressed the issues of strategy development included Drucker (1954); Chandler (1962); Ansoff (1965) and Andrews (1971) among others. Writings of these authors triggered the adoption of strategic planning by companies. In late 1960s studies carried out showed that strategic planning was being practiced in United States and abroad (Aosa, 1992). Different researchers Ringbakk (1968); Shollhammer (1970); Taylor and Irving (1971); Woodburn (1984); and Wee et al (1989) documented strategic planning practices of companies (Aosa, 1992).

During mid-1970s when the world experienced oil crisis much of the relatively stable environment started to change. During the same time the perception of strategic management started to change as a result of the turbulence of the external environment. In the face of the rising uncertainty and volatility, most managers expressed dissatisfaction with strategic planning. As a result of this dissatisfaction, writers criticized formal strategic planning and recommended areas of improvements. These writers included (Stonich (1975); Hedley (1977); Porter (1980); Peters and Waterman (1982); Ansoff (1984); Mintzberg (1985); Murphy (1989); Tweed (1990); and Marx (1991) among others. These writers criticized the implementation of strategic planning but believed that it could be improved for it to be more beneficial to companies (Aosa, 1992).

Key features which emerged that characterize good strategic planning include; flexibility, adaptability, focus on implementation, developing and enhancing competitive edge. These concerns are still important in strategic management today (Bateman and Zeithamal, 1990).

Today, two approaches to strategic management have emerged, the convectional approach (1950s to mid-1970s) and the modern approach (mid-1970s to date). The conventional approach was developed at a time that was characterized by relatively stable environments where rates of environmental change were low and the future could be predicted with a high level of certainty (Porter, 1990). During this time, planning was more extrapolative as companies made future decisions based on past experience. The modern approach was developed as a response to increasing challenges caused by high levels of environmental turbulence. This approach is focused into the future, participative and market driven. The modern approach helps companies to seek ways of being able to produce products and services that exceed customer's expectations and being able to remain relevant in the future. Over time there has been a shift from the convectional approach to the modern approach (Aosa, 1992).

2.1.2 Current Emphasis

Today's rapid changing business environment is calling for an innovative approach to strategic management. The current emphasis is on market driven approaches (Gunn, 1988; Thompson, 1990). Hamel and Prahalad (2002) consider strategic intent, strategic stretch and leverage more important than strategy. The authors believe that the goal of strategic management should not be to beat competition and have a strategic fit with the environment but to try to imagine a future made possible by changes in technology, lifestyle, work style, regulation, global geopolitics and the like.

Strategy implementation is also facing increased attention. Existing literature reveals that strategy implementation can not be separated from strategic planning (Johnson and Scholes 2001). Research reveals that unsuccessful implementation of strategies leads to underperformance in companies. Therefore strategy evaluation and control has become an emerging area of concern to most organizations today. According to American Management Association (2006), business organizations' interest in strategy execution has grown in recent years and will continue to do so. A global report from the Conference Board of American Management Association (2005) found that consistent execution of strategy by top management is one of the top ten challenges facing chief executive officers (CEOs), with a third choosing it as the challenge of greatest concern. Clearly, the ability to transform strategic plans into action is a universal concern and the inherent need to know how well a company is doing in achieving its strategic objectives.

Some researchers such as Mankins and Steele (2006) have questioned whether the particulars of strategic planning itself could hinder strategy execution and achievement of strategic objectives. In a study with the Economist Intelligence Unit, these researchers surveyed senior executives from 156 large companies worldwide in 2006. The results of the survey confirmed that the timing and structure of strategic planning are obstacles to good decision making. Pulse Business magazine surveyed subscribers and thought leaders in 2005 about various concepts addressed by the magazine over the past decade, execution prevailed as the number-one theme as well as the idea most likely to sustain interest for another ten years to come (Kleiner 2005). According to McKinsey (2008) most of the existing strategic management literature is devoid of strategy evaluation and performance measurement information yet companies need to develop a culture of learning which ensures continuous improvement of all processes, structures and systems for improved results. Therefore, the lines between strategy formulation, execution and evaluation are becoming less distinct.

Organizational efficacy, effectiveness, and efficiency are perhaps the most compelling and important topics in strategic management and organization theory. In the world of business, these issues are embodied in the concept of corporate performance, which includes both financial and social characteristics. Evaluating a firm's performance is a continual internal process, but it is generally accepted today that the most meaningful of such assessments are external (Waddock and Mahon, 1991). This implies that strategy evaluation is becoming a key concern to most organizations since it is the best way for managers to know whether or not their strategies are working, how the internal and external environment is changing and whether they are achieving the kind of results they anticipated.

Lepsinger (2006) notes that disquiet has arisen over the rapidly rising fatality rates of organizations irrespective of sound strategic planning. According to him, organizations cannot win by cost reduction alone and cannot invent appropriate strategic responses fast enough to stay abreast of dexterous rivals. The author notes that many organizations are exhausted by the pace of change, and their hurried attempts to execute new initiatives fall short of expectations. According to Lepsinger (2006) to succeed, the next big idea must address the biggest challenge facing organizations today, namely; to dramatically improve the hit rate of strategic initiatives and attain the level of renewal necessary for successful execution.

2.2 Strategy Execution

Strategy execution, commonly referred to as strategy implementation is the "action" phase of strategic management. Execution is considered to be the most critical phase in strategy making. However, most discussions and existing literature in strategic management focus on how to formulate strategy and little attention has been given on how to execute these strategies and how to evaluate them. Despite this, most practitioners have recognized that problems with implementation in many companies have resulted in failed strategies and consequently failed companies (Odhiambo, 2006). Noble (1999) states that implementation is an enigma and a source of frustration in many companies. This implies that, it is necessary for managers to keep track of implementation by developing an evaluation mechanism which allows organizational learning.

In practice, most organizations fail to execute their strategic plans. In excellent organizations, the strategy execution gap is relatively small when compared to ineffective organizations where the gap can be huge. Strategy execution gap is seen as the variance between strategic plans and the organization's relative success in achieving them. According to Mankins and Steele (2005, pg3) survey of several companies, the strategy execution gap averages a 37% loss in company performance, although more than one third of the surveyed executives believe their strategy execution gap is greater than 50% . There are a number of theories to explain the failure of strategy implementation in general. Beer and Eisenstat, (2000) McKinsey and company analysts describe what they call the six strategy killers. These include; lack of an evaluation system; unclear strategy and conflicting priorities; an ineffective senior team; poor vertical communication; poor coordination across functions, businesses, or borders; and inadequate down-the-line leadership skills and development. The authors describe the interactions of these six strategy killers and outline how they compromise the quality of direction, quality of learning and quality of implementation.

In a related survey, fewer than half of executives responding to a McKinsey on-line survey said they were satisfied with their company's approach to strategic planning (McKinsey, 2006). Moreover, most managers agree that even where planning processes are adequate, an even more prevalent and serious problem occurs in: "failure to launch"; which lies in the gap between strategy and execution. Ultimately, what this means is that senior managers have great ideas and a pretty good overarching vision of what business nirvana looks like, but the enigma remains; how to create an organizational alignment to actually close or remove the gap (Shane Busby, 2007). According to Kaplan and Norton (2006), most companies have what it takes to achieve their strategic plans. These authors advance the notion that, companies must be able to translate their strategy into explicit operational goals; employees must understand the context and purpose of their work and can readily measure how well they are doing their jobs. Delisi (2006) proposes that, companies must strive to be high performers and consider; making ICT relevant, creating a learning environment and developing a mechanism for measuring performance and evaluating strategy.

A survey by Marakon Associates suggests that organizations realize only 63% of the financial performance they expect from their strategic plans (Mankins and Steele 2005). Nearly 200 firms around the world with sales of more than $500 million participated in the fall 2004 survey. Among the top factors linked to unrealized performance were insufficient resources, poorly communicated strategy, vaguely defined execution actions, and unclear evaluation mechanism. Another survey found that the biggest impediment to successfully executing a business strategy was not change but simply doing things the way they have always been done. According to the 2005 Leadership Pulse survey of more than 300 worldwide executives, more than one-third of the respondents (35%) cited the past and habits as one of the top 5 barriers to strategy execution (Pulse, 2005).

Strategy execution gap in most companies has often been correlated with company performance. Research indicates that less than 10% of strategies are effectively executed (Norton, 2004; Kiechel, 2006; McKinsey, 2006). According to Mankins and Steel (2005, pg 2) "less than 15% of companies make it a regular practice to go back and compare" their performance against their long-term strategic plans. Effective strategy execution begins with a concisely defined strategy that is within the organization's core competencies and achievable based on their available resources within a comprehensive system of performance review (McCarthey et al 1986). This implies that there is need for managers to keep track of implementation through a strategic evaluation mechanism.

Results of these surveys points towards the urgent need for organizations to develop strategy evaluation systems so that they can be in control of company performance, assess strategic achievements, take corrective action and ultimately be able to design appropriate # change management programs which support their strategic directions. Therefore, strategy evaluation can not be divorced from strategy formulation and implementation.

2.3 Strategy Evaluation and Control

Strategy evaluation involves "examining how the strategy has been implemented as well as the outcomes of the strategy" (Coulter, 2005, p. 8). This includes determining whether deadlines have been met, whether the implementation steps and processes are working correctly, and whether the expected results have been achieved. If it is determined that deadlines are not being met, processes are not working, or results are not in line with the actual goal, then the strategy can and should be modified or reformulated.

Failure to achieve company objectives leads to strategy execution gaps (Mankins and Steel, 2005). A strategy gap confirms that current strategic plans are not being executed effectively and efficiently. However, a compounding problem occurs when it can not be determined whether the root cause of the strategy gap is due to "poor strategy, poor implementation, poor evaluation" or a combination of all (Mankins, 2005, pg 2). Failure to determine the root cause of a strategy-execution gap greatly reduces the organization's chances of closing it and the chances of developing better strategies in the future. Persistent strategy-execution gap results in an organizational culture that readily accepts underperformance (Mankins and Steel, 2005). This observation implies that developing a robust system of strategy evaluation and control is an important component of strategic management which can help companies to know whether they are achieving their strategies, how big or how small is the strategy execution gap, what changes need to be put in place to close these gaps and what needs to be done to achieve high levels of strategic performance.

Different researchers have carried out studies to document strategic management in general in Kenya (Aosa, 1992; Kengero, 1998; Kosei, 2003; Musyoki, 2003) among others. Their findings imply that; though strategic management is the same all over the world, the context in which it's practiced vary from culture, region, industry and companies. Strategy implementation has also started getting attention from a number of researches in the last decade. A number of studies carried out on strategy implementation include (Michael, 2005; Muthuiya, 2005; Machuki, 2005; Ochanda, 2005; Basil, 2006; Benson 2006; Gumo, 2006; Gioche 2006). Their findings imply that there is need to study strategy implementation in different organizations and industries. However, there continues to be a lack of framework for strategy evaluation both in literature and practice yet, it is a critical element of the whole strategic management process. To make strategic action happen, executives need to work with all levels of the organization to plug the gaps between strategic thinking (knowing) and tactical action (getting) and galvanize the organization towards measuring performance and taking corrective action.

According to Thompson and Strickland (1995) strategic control is concerned with tracking strategy as it is being implemented, detecting problems or changes in its underlying premises and making necessary adjustments. Strategic controls are designed to continuously and proactively question the basic direction and appropriateness of strategy. Organizations face the constancy of change from endless sources from within and without the organization all occurring at an ever accelerating pace. There is very little that organizations can do to directly control the many sources of change. Yet with performance and long term survival at stake, better organizations adopt and regularly refine their strategies as a way to deal with pervasive change (Johnson and Scholes, 2001). According to Commerford and Callaghan (1985) control of the organization within a strategic management system is concerned with achieving goals by carrying out strategies effectively and efficiently.

Strategies are forward looking and designed to be accomplished several years into the future and based on management assumptions about numerous events that have not yet occurred. Control is the process of ensuring that firm's activities conform to its plan and that its objectives are achieved (Drucker, 1964). According to Senge (1990) managers responsible for the success of the strategy are concerned with these questions; are we moving in the proper direction? are key things falling into place? are we doing the critical things that need to be done? should we adjust or abort the strategy; how are we performing? are objectives and schedules being met? are costs, revenues and cash flows matching projections? do we need to make operational changes? According to Tilles (1983) strategy evaluation should look beyond the obvious facts regarding short term health of a business and appraise instead those more fundamental factors and trends that govern success. Achieving this is neither simple nor straightforward. It requires a reasonable store of situation based knowledge and more than the usual degree of insight (Kaplan and Norton, 1996).

According to Etez and Kenfar (1983); Mintzberg (1994) strategy evaluation measures whether a strategy is effective and whether the organization is efficient in achieving its objectives. When evaluating effectiveness of a strategy, success implies a strategic perspective that is right for today and developing in line with future needs, linked to a clear mission or purpose that is communicated and understood and leads to the provision of quality products and high level of services. Measures of effectiveness may include number of new products, harnessing ICT, use of capital for competitiveness success. When evaluating efficiency success implies that the organization is well managed and administered supported by sound budgeting and control systems underpinned by a good ICT system. These measures include; sales growth, market share, return on investment (ROI), cash flow among others (Simons, 1995; Senge, 1990). It should be pointed out that establishing such evaluation and control measures requires a genuine attempt to reconcile the different expectations of stakeholders. There is always the danger that because efficiency measures are possible and often straightforward they may become elevated in significance (Norton and Kaplan, 1996).

According to Waterman (1987); Simons (1995) strategy evaluation can take place as an abstract analytical task, perhaps performed by consultants. But most often it is an integral part of an organization's processes of planning, review and control. In some organizations evaluation is informal, only occasional, brief, and cursory. Others have created elaborate systems containing formal periodic strategy review sessions. In either case the quality of strategy evaluation and ultimately the quality of corporate performance will be determined more by the organizations capacity for self-appraisal and learning than by the particular analytic technique employed (Simons, 1995). Brown and Agnew (1983) noted that in most firms, comprehensive strategy evaluation is infrequent and is normally triggered by change of leadership or poor financial performance yet organizations need to be continually informed of how well or how badly they are performing in reference to their strategic directions.

These different viewpoints help to remind us that the real strategic processes in any organization are not found by looking at those things that happen to be labeled strategic or long range. Rather the real components of strategic process are by definition those activities that most strongly affect the selection and modification of objectives and which influence the irreversible commitment of important resources, they also suggest that appropriate methods of strategy evaluation can not be specified in abstract terms. Instead an organizations approach to evaluation must fit its strategic posture and work in conjunction with its methods of planning and control (Waterman, 1987).

2.4 Types of Strategic Controls

According to Thompson and Strickland (1995); Senge (1990), strategy evaluation and control is necessary to steer a company through changes of both internal and external environment. A company's strategic control mechanism must provide the basis for adapting the firm's strategic actions and directions in response to changes and development in its operating environment. Companies need to keep asking themselves the following questions; whether existing strategy produced the desired results, were strategies properly communicated, were strategies well executed, did the management commit or follow through with the strategies, were results monitored and strategies revised as needed, were resource allocations sufficient with selected strategies. Strategic control can sometimes alter firm's strategy. Both strategic and operational controls are needed to guide the strategic management process. Thompson and Strickland (1995) summarizes the four types of strategic control which include; premise control; implementation control; strategic surveillance and special alert control.

Premise control; every strategy is based on certain planning premises, assumptions or predictions concerned with the environment or industry factors. A strategy's key premise should be identified and recorded during the planning processes. Responsibility for monitoring those premises should be assigned to the person or department that is qualified source of information. Premises should be updated and new ones made on the basis of the updated information. Premise control is designed to check systematically and continuously whether the premises on which the strategy is based is still valid. If a vital premise is no longer valid, the strategy may have to be changed. The sooner an invalid premise can be recognized and rejected, the better are the chances that an acceptable shift in the strategy can be achieved (Thompson and Strickland, 1995).

Implementation control; implementation control is normally short-term and tactical. Implementation control is designed to assess whether the overall strategy should be changed in light of the results being achieved. The two basic types of implementation control are; monitoring strategy thrusts, and milestone reviews (Thompson and Strickland, 1995). Tilles (1963;1983) views implementation controls as being the same as operational controls. According to Tilles (1983) operational control systems guide, monitor and evaluate progress in meeting short-term objectives. While strategic controls attempt to steer the company over an extended period (usually five years or more) operational controls provide evaluation for one year or less. To be effective, operational controls must take four steps; set standards of performance, measure actual performance, identify deviations from standards set, initiate corrective action (Mintzberg, 1994). Three types of operational control include budgets, scheduling and key success factors.

Strategic surveillance; by their nature, premise and implementation control are focused controls. Strategic surveillance is unfocussed and long-term (Thompson and Strickland, 1995). Organizations are environment dependent. No organization can exist without the environment. They depend on the environment for their survival and they have to scan the environment in an effort to spot budding trends and conditions that could eventually affect the industry and adapt to them (Thompson & Strickland, 1993; Aosa, 1992).

Failure to do this will lead to serious strategic problem characterized by the maladjustment of the organizations output due to the demands of the external environment (Ansoff, 1984). Ansoff and Macdonnel (1990) noted that responses involve changes in the firm's strategic behaviors to assure success in the transforming future environment.

According to Brown and Agnew (1982) strategic surveillance is designed to monitor a broad range of events inside and outside the firm that are likely to affect the course of its strategy. The basic idea behind strategic surveillance must be kept as unfocussed as possible, it should be a loose environmental scanning activity. Despite its looseness, strategic surveillance provides an ongoing, broad-based vigilance in all daily operations that may uncover information relevant to the firm's strategy. Strategic diagnosis is a systematic approach to determine the changes that have to be made to a firm's strategy and its internal capability in order to assure the firms success in the environment (Brown and Agnew, 1982).

Special alert control; special alert control is a subset of premise, implementation and strategic surveillance. Special alert control is the thorough and often rapid, reconsideration of a firm's strategy because of a sudden, unexpected event. For example a political coup, product poisoning, plane crash. Such an event should trigger an immediate and intense reassessment of the firm's strategy and its current strategic situation. In many firms, crisis teams handle the firm's initial response to unforeseen events that may have an immediate impact on its strategy. Firms normally develop contingency plans along with crisis teams to respond to such circumstances (Thompson and Strickland, 1995).

According to Senge (1990) crisis management deals with three things; what can go wrong, what is the probability of it going wrong, what impact is it likely to have. Managers need to invest in prevention to minimize risk and come up with mechanism of contingency management which involves stakeholder analysis (Hurger and Wheelan, 1996). This implies that the right strategy evaluation and control programs helps companies to incorporate lessons learnt into strategy formulation and implementation processes. Therefore, strategic execution gaps should not come as a surprise but should have been predicted and measures put in place to minimize them.

2.5 The Importance and Pitfalls of Strategy Evaluation and Control

According to Mintzberg (1998) strategy evaluation and control is important for all types of organizations. Strategy evaluation should initiate managerial questioning of expectations and assumptions; trigger a review of objectives, targets and values; and stimulate creativity in generating alternatives and formulating criteria of evaluation. Strategy evaluation activities should be performed on a continuous basis rather than at the end of a specified period or after a problem occurs. Evaluating strategies on a continuous basis allows benchmarks to be established and monitored effectively (Brown and Agnew 1982). Some strategies take years to be implemented consequently associated results might not become apparent for years. Successful strategies combine patience with a willingness to take corrective action where necessary. Top management tends to establish a control system and then delegate implementation of this system to others which later fails due to lack of ownership Mintzberg (1998). This implies that there is need for strategy evaluation process to be participative and involve employees who will be responsible in its implementation. The evaluation and control information must also be relevant, timely and accurate to what is being monitored in order for it to be useful to an organization.

The importance of strategic controls was underscored by Peters and Waterman (2001) who considers organizations that evaluate strategies and monitor their performance as moving towards being excellent. The need to measure and evaluate performance and to make changes where necessary applies at all levels of the organization. Budgets establish quantitative targets for individual managers, departments, business units and divisions. Progress against these targets can be measured against an information system and the feedback should be both fast and accurate to enable any corrective actions to take place quickly (Brown and Agnew 1982). However, it's important when looking ahead to consider the current match between products, services, and business units and their respective environments. Future prospect does not necessarily rely on past performance. When establishing budgets and performance targets, it's important to make sure that managers do not focus on their areas of responsibility only. The commitment to the overall interest of the organization is the source of synergy (Bryan and Joyce, 2005). This underscores the importance of teamwork in strategy evaluation design and implementation.

Brown and Agnew (1982) note that evaluation and control is not an easy process. One of the obstacles is the difficulty in developing appropriate measures of activities and outputs. Criteria that predicts or forecasts result may be more effective than one that reports on past performance. This underscores the importance of an evaluation and control program which is forward looking as opposed to being historical. Therefore managers need to balance between historical and futuristic measures. According to Waterman (1987) managers and employees should always be aware of progress being made in the organization, as critical success factors change, organizational members should be involved in determining appropriate corrective action. Organizations need to know as soon as possible when their strategies are not effective. Determining which objectives are important to the organization can be difficult (Covey, 2004). Therefore, managers need to ensure that strategy evaluation and control design does not become a routine and time consuming exercise but must be focused and purpose driven.

Strategy evaluation is based on both qualitative and quantitative criteria. Selecting the best set criteria depends on the organization size, industry strategies and management philosophy. An organization pursuing a retrenchment strategy for example could have an entirely different set of criteria with an organization pursuing a market development strategy (Kaplan and Norton, 1996). But there are potential problems for using financial criteria for evaluating strategies; first; most quantitative criteria are geared towards annual objectives rather than long term objectives and second; different accounting methods can provide different results on many quantitative criteria. Therefore qualitative criteria are also useful in evaluating strategies (Kaplan and Norton, 1996). This implies there are as many strategy evaluation systems as there are organizations and what works for one organization might be disaster for another organization. In bench marking, managers must therefore avoid adopting wholesale their competitors' evaluation systems.

Strategy evaluation helps an organization to adapt successfully to changing circumstances; Brown and Agnew (1982) refer to this notion as corporate agility. However, taking corrective action raises employee's anxieties. Research suggests that participation in strategy evaluation activities is one of the best ways to reduce resistance to change. According to Erez and Kenfer (1983) employees accept change best when they have a cognitive understanding of the changes, a sense of control over the situation and awareness that necessary actions are going to be taken to implement the changes. Corrective actions should place an organization in a better position to capitalize upon internal strengths, to take advantage of key external opportunities, to reduce, avoid or mitigate external risks and to improve internal weaknesses (Erez and Kenfer, 1982). This suggests that, keeping employees out of the strategy evaluation and control loop is a sure cause of failure.

According to Simons (1995) organizations must ensure that they control only those outcomes that are important and not include evaluation variables simply because they were part of past criteria. This implies that strategy and evaluation program should allow management to be as creative as possible and need to be viewed as an opportunity for organizational learning. Mintzberg and Waters (1985) observes that realized strategy may differ from the intended or planned strategies because of unrealistic strategic decisions, poor judgment about the external environment, managerial incompetence's in implementing strategic decisions, uncontrollable changes in the external environment, or a failure in leadership to motivate individuals to pursue the intended strategy. Recognizing the different ways that the intended and realized strategies may differ underscores the need for evaluation and control systems so that a firm may monitor its performance and take corrective action if the actual performance differs from the planned results.

According to Tilles (1963; 1983) strategy evaluation can be a complex and difficult undertaking. Too much emphasis on evaluating strategies can be expensive and counterproductive. Yet too little or no evaluation can create worse problems. An effective strategy evaluation system should include challenging metrics and timetables that are achievable. If it is impossible to achieve the metrics and timetables, then the expectations are unrealistic and the strategy is certain to fail. Kaplan and Norton (2006) note that employees should not consider controls as an imposition of autocracy but as the benign checks and balances that allow them to be creative and free. When people know where the control limits are, they have the freedom to operate within the limits (Kaplan and Norton, 2006). This suggests that, strategy evaluation and control has the potential to demoralize employees. Therefore, managers need to rally employees behind the importance of strategy evaluation.

According to McCann (2004; 2006); Mintzberg (1998) the major issues that make evaluation difficult and which analysts must come to grips with are; each business strategy is unique. Strategy evaluation must therefore rest on situational logic which does not focus on one best way; strategy is centrally concerned with the selection of goals and objectives; many executives find it easier to formulate goals than to evaluate them. In part this is a consequence of training in problem solving rather than problem structuring; formal principles of strategic review while appealing in principle can create explosive conflict situations. McCann (2004) further observes that not only are there serious questions as to who is qualified to give an objective evaluation, the whole idea of strategy evaluation implies management need much more than results and runs counter to much of currently popular management. Finally, there are competitive reasons for not reviewing the validity of a strategy too freely. There are a wide range of rivalrous confrontations in which it is critical to be able to convince others that ones position or strategy is fixed and unshakable (Brown and Agnew, 1982).

Thompson and Strickland (1995) notes that in designing a control system top management needs to remember that controls should follow strategy. This means that unless controls ensure the proper use of a strategy to achieve objectives; dysfunctional side effects are likely to undermine completely the implementation of that strategy. McKnight (2005) observes that controls should involve only minimum amount of information-too many controls create confusion. Controls should therefore monitor only meaningful activities and results, should be timely, short term and long term, pinpoint exceptions, and should be used to reward performances rather to punish failure to meet standards McKnight (2005.

For controls to be successful it is important to; enlist top management support, have a clear organizational structure, clear control of responsibility, keep it simple, communicate purpose, encourage participation (Schultz et al 2000). Legace (2006) argue that managers need to be aware of wider strategic issues and that their attention should be focused on long term strategies as well as short term tactics and actions designed to bring immediate results. This makes it necessary for managers to be aware of the key success factors for their products and business units and of how their competitive environment is changing. Whilst it is important to achieve budget targets, it is important that there is continuous search for new ways of creating, improving and sustaining strategic advantage (Barney 1997; Bracker 1980).

Kaplan and Norton (1996) advance the view that organizational performance measures should go beyond financial ratios. Kaplan and Norton (1996) consider the balanced score card to be beneficial to organizations through; focusing the whole organization on the few key things needed to create breakthrough performance; helping to integrate various corporate programs, such as quality, re-engineering, and customer service initiatives; breaking down strategic measures to local levels so that unit managers, operators, and employees can see what's required at their level to roll into excellent performance overall. These authors emphasize the importance of a holistic approach to strategy evaluation and control and advise managers to avoid too much control and instead strive to manage strategic results.

The foregoing suggests that an effective strategy evaluation and control mechanisms can help an organization to re-energize its employees, renew organizational learning, redesign its systems, pursue continuous improvement, achieve higher performance and avoid strategic drift and muddling through environmental changes.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

Research design specifies a framework or blueprint for the research. This study utilized descriptive approach. Descriptive studies are based on some previous understanding of the research problem (Cooper & Schindler, 2003). To achieve the objectives of this study, survey method was utilized which allowed the researcher to collect data from several study units. Though surveys have been criticized for being costly and time consuming as compared to a case study, this method has been considered to be beneficial when investigating more than one study unit due to comparisons within the sample and generalization with the entire population (Mugenda and Mugenda, 2003). According to Glesne and Alan (1992) survey research is probably the best method available to social scientists who are interested in collecting data for the purposes of describing a population which is too large to observe. Other researchers in similar studies have used the survey method (Aosa, 1992; Michael, 2005; Muthuiya, 2005; Machuki, 2005; Ochanda, 2005; Basil, 2006; Benson 2006; Gumo, 2006; Gioche 2006).

3.2 Population of the Study

The population of this study consisted of all dairy companies operating in Kenya and listed by Kenya Dairy Board (KDB). This listing from KDB is considered to be the sampling frame. KDB (October, 2008) had listed 34 dairy processors which include small, medium and large companies. According to this data, 50% of these companies are small, 20% are medium, 10% are large while 3% have closed down. As expected in most studies of this nature, a 100% response rate is unlikely. Therefore, to cater for the problem of non-response, all the 90% operational dairy companies listed by KDB (October, 2008) made up the sample.

3.3 Data Collection

Primary data sources were utilized to collect the relevant data for this study through a questionnaire. The questionnaire was structured into key themes and content including; personal information, strategic management practices, strategy evaluation and control practices, challenges of strategy evaluation and control. Closed ended questions were used in this study. A questionnaire has been used in previous studies (Aosa, 1992; Michael, 2005; Muthuiya, 2005; Machuki, 2005; Ochanda, 2005; Basil, 2006; Benson 2006; Gumo, 2006; Gioche 2006). Objectives of this study require that Managing Directors of dairy processing companies should be the key respondents.

Owing to the complex and technical nature of the topic being researched, this study used face to face interviews. Though face to face interviews have been criticized due to interviewer bias and for being time consuming and costly, this method was considered to be; highly flexible, interviewer is able to control the interview situation, has higher response rate and it is the best method to get insights from respondents through probing (Cooper and Schindler 2006).

3.4 Data Analysis

To achieve the two objectives of this study, qualitative data was collected. For objective one; comparisons were done across the companies and the results have been presented in tables, frequencies, proportions, percentages and charts while objective two; content analysis was done to capture the challenges being faced by dairy companies in strategy evaluation.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

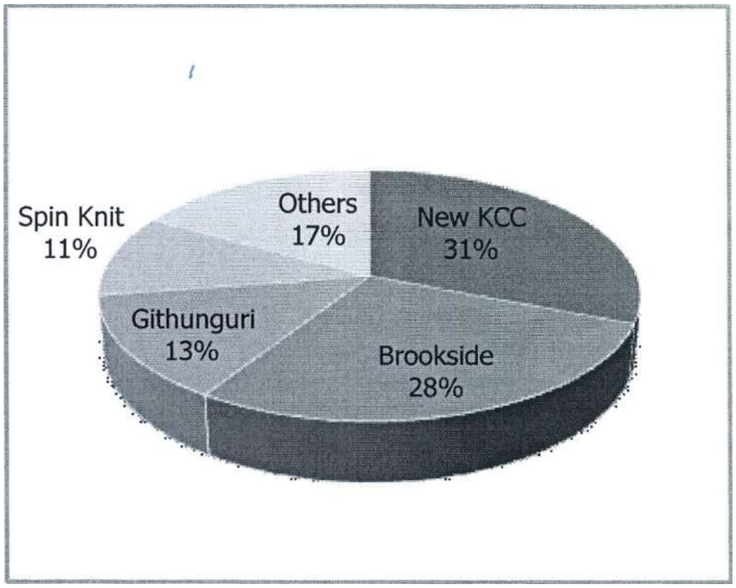
4.1 Introduction

This section presents the study findings and discussions. This section looks at the profile of companies surveyed in terms of milk volumes and their locations. Analysis of strategy evaluation and control are presented followed by constraints to effective strategy evaluation systems in dairy processing companies.

4.2 Profile of Respondents

Out of a population sample of 34 dairy processing companies, 21 agreed to be interviewed, 3 were non-functional and 10 were non-responsive. As chart 1 below depicts, it was found out that top players in the dairy industry in terms of control of milk volumes are New K.C.C (31% of milk volumes); Brookside (21% of milk volumes); Githunguri (13% of milk volumes) and Spinknit (11% of milk volumes). This finding matches the expectation of the study where the literature review revealed that K.C.C and Brookside are the key competitors in the dairy industry. Majority of these companies are based in Nairobi owing to the large population and demand in the capital city. Majority of these firms (52%) are family owned, 14% are farmer owned and the rest are privately owned with the government owning one company.

Chart 1: Profile by milk volumes (2008)

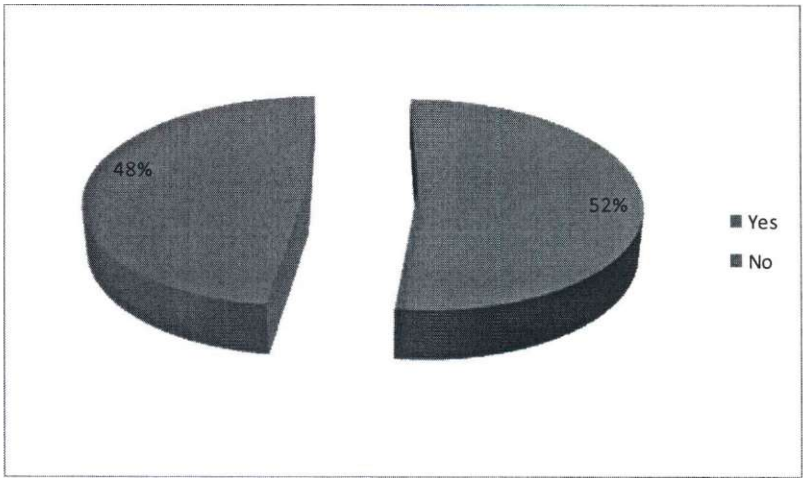


Source: Ressearch data

4.3 Strategic Management Practices

Key to strategic management is mission and vision statements which provide a shared purpose and common direction for employees in an organization. As shown on chart 2 belwo, out of 21 interviewed companies, 5 out of 10 companies have mission and vision statements. However, out of those who have mission and vision statements only 38% of the responents found them inspiring. Further probing revealed that, most companies rarely communicate and reinforce mission and vision statements. This finding is consistent with the fact that most dairy processing firms are family outfits. Regardless of their ownership, dairy firms need to craft vision and mission statements that are inspiring to all employees in their organizations.

Chart 2: Existence of mission and vision statements



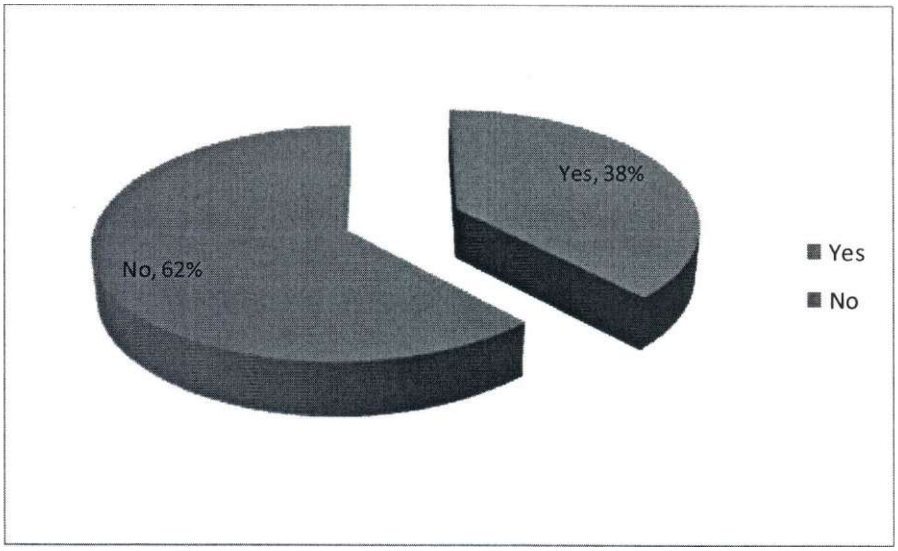
Source: Ressearch data

It was important to find out whether dairy processing companies have strategic plans as discussed in the literature review which is important for quiding their shorterm and longterm direction as well as making them competitive. It was found that 52% of 21 processing pompanies interviewed have strategic plans. This study expected majority of

f

dairy processing companies to have in place strategic plans given the stiff competition being experienced in the industry. The strategic plans were found to be mostly for 3 years though 31% of companies had one year strategic plans. Lack of mission and vision statements in these companies can be responsible for muddling and strategic drift. In order to become more competitive, dairy processing firms need to develop strategic plans which offer direction and guide resource utilization in the organization.

Chart 3: Understanding of strategic plans



Source: Ressearch data

Communication of strategic plans to employees was found to be a critical ingredient for effective implementation during the literature review. This study found out that 62% of 13 dairy companies that develop strategic plans do not effectively communicate their contents and therefore respondents did not fully understand them as shown on chart 3 above. Respondents revealed that dairy processing companies are extremely busy establishments that sometimes operate for 24 hours. Lack of proper communication of the strategic direction of these firms is likely to make employees to pull in different directions. It is critical for managers of dairy processing firms to take time to communicate effectively with employees regarding the contents of their strategic plans and the role of employees in achieving the desired outcomes.

Table 1: How often strategic plans are reviewed

	Frequency	Percent	Cumulative percent
Monthly	1	8	8
Quarterly	1	8	16
Bi-annually	1	8	24
Annually	1	8	32
Every two years	0	0	32
Over 3 years	3	23	55
Never	6	45	100
Total	13	100	100

Source: Ressearch data

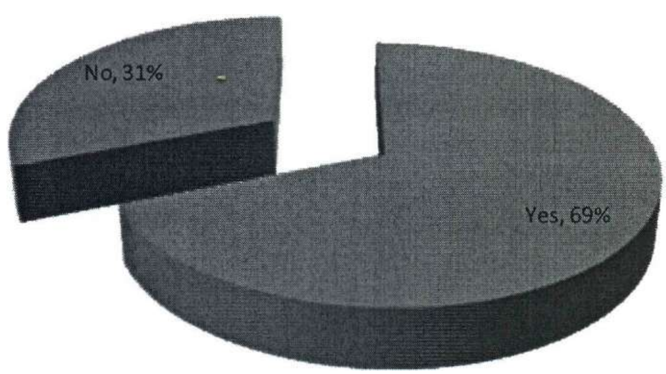
While strategic plans are easier to develop, review of these plans as found in the literature review requires outmost discipline and commitment. Table 1 shows, this study found out that 45% of the 13 dairy processing companies that develop strategic plans never review them while 32% of the 13 firms review them within an year. 23% of these companies review their strategic plans after 3 years and only 8% conduct strategic plan reviews on a monthly and annual basis. As noted in other parts of this report, most companies rarely go back to compare their results with what was planned. These findings are consistent with other studies carried out in other parts of the developed world which found out that most companies rarely evaluate their strategies.

For strategic plans to be effectively implimented, involevment of employees was found to be a key driver in the literature review. Out of the 13 firms that develop strategic plans, this study found out that majority (54%) of strategic plans are developed by consultants and only 15% involve key staff. None of the companies interviewed involve all staff which after probing emerged that strategic plan development was viewed as a top management role. Lack of involment of staff in development of strategic plans creates a "we and them" internal environment. This leads to underformance and lack of motivation since employees are forced to impliment what was developed at the top. There is need for dairy firms to adopt a bottom-up approach in strategy development inorder to achieve effective implimentation.

4.4 Strategy Evaluation and Control Practices

Strategy evaluation and control was found to be a key driver to improved organizational performance. This study surveyed strategy and control practices in dairy companies in Kenya.

Chart 4: Existence of departmental strategies



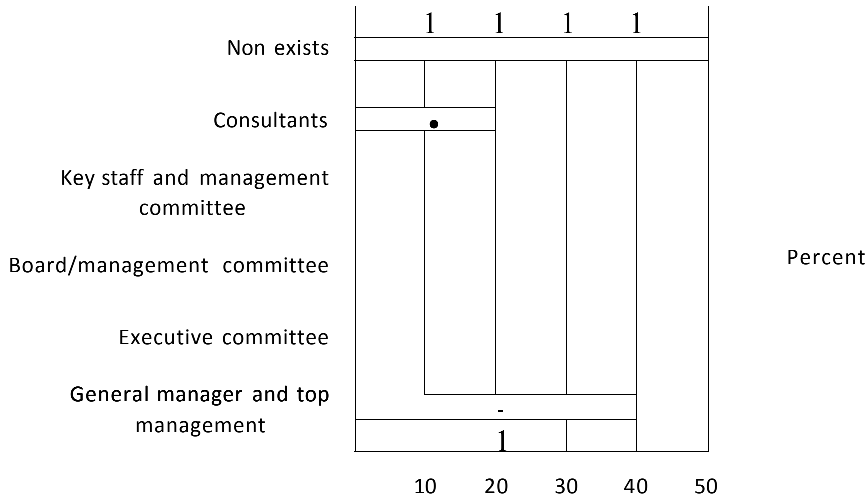
Source: Research data

As indicated in the literature review, having clear departmental strategies ensures departments understand what is expected of them, have a clear purpose and can identify themselves with the general direction of the organization. Majority of the 13 companies that develop strategic plans (69%) were found to have departmental strategies as shown on chart 4 above. Asked who develops these strategies, 45% of respondents indicated that their departmental strategies are developed by the top management while 33% of them are developed by the board. No consultants were found to be involved in development of departmental strategies. This was unexpected since departmental strategies ideally should be developed by the departmental staff that is responsible for their implementation.

As found out in the literature review, strategy evaluation can take different forms. It was found out that 69% of companies review their strategies informally while 31% have formal systems for evaluation. As shown in previous chapters, most authors and researchers favor the formal strategy evaluation method because it helps companies to capture key data, analyze, feedback and change their strategic direction accordingly.

In the literature review human resource was found to be a critical asset in effective implementation of strategy, evaluation and control. Involving employees in strategy evaluation and controls ensures total commitment from employees. Out of 13 companies that develop strategic plans, 46% have no strategy evaluation and control systems as shown on graph 1.

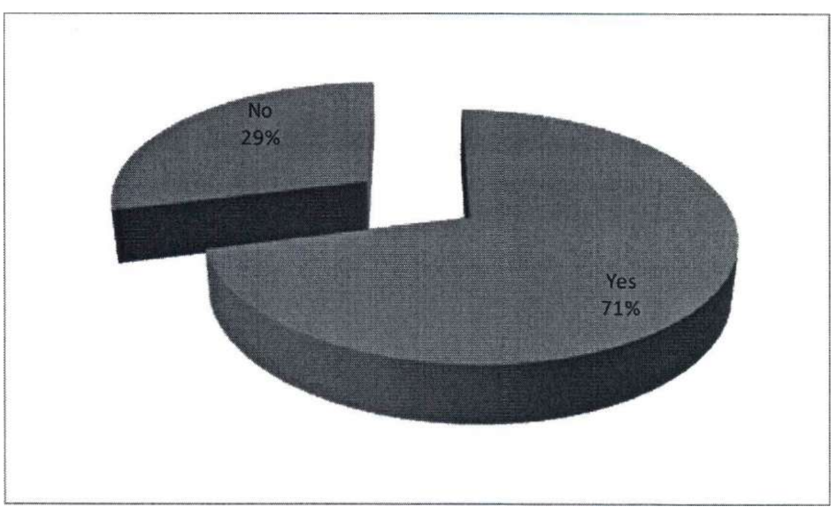
Graph 1: Who develops strategy evaluation and controls



Source: Research data

It was also found out that 38% of companies only involve the top management and none of the companies involve key staff. Out of the companies that have strategy evaluation and controls, a 100% of them are derived from their strategic plans. This was as expected because strategy evaluation and control cannot exist in a vacuum.

Chart 5: Existence of company wide objectives and targets



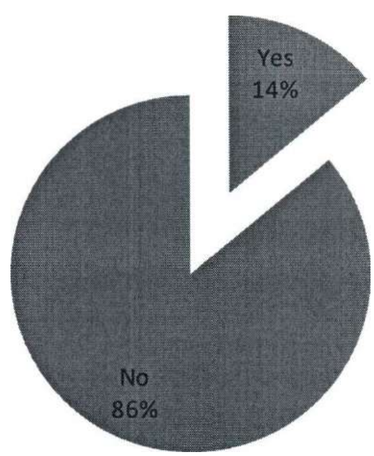
Source: Research data

As found in the literature review, in order to operationalize strategy, it is important for companies to develop objectives and targets. As shown on the chart 5 above, 71% of the 21 respondents interviewed indicated that their companies have objectives and targets. Out of the 15 companies that have objectives and targets 33% review them bi-annually, 27% quarterly and only 20% of those companies review them monthly. It was observed that companies that review their objectives more often command a high share of milk intake. As found out in the literature review, functional targets and objectives ensure that departments are aware of what needs to be done and by when. Review of these objectives and targets helps departments to know whether they are on the right track or not. Out of 21 companies interviewed, 52% of organizations have departmental objectives and targets which are mostly reviewed on a quarterly basis.

This study found out that out of 21 companies surveyed, 62% do not have individual targets and objectives for employees. It was also found out that a 100% of those companies that have individual targets and objectives evaluate them on annual basis. As evidenced from the literature review, employees are more productive when they know the strategic direction of a company, where they come-in, what is expected of them and whether their contribution is valued. It is important for dairy companies to develop performance measurement mechanisms which are motivating to employees in order to for them to be more productive. However, performance evaluation should not be used to unleash punishment to underperforming employees.

A key challenge that had been noted in the literature review is the way companies utilize results of employee performance review. This study established that 37% of companies that undertake reviews use them for punitive measures while 75% of companies that do not punish employees use reviews for training and development. This is as expected from the literature review. Strategy evaluation and control gives companies an opportunity to orchestrate organizational learning. However, this study established that very few companies (12%) use the results of their review to catalyze both organizational and departmental change. These results confirm what the literature review indicates that most companies rarely use results of strategy evaluation to improve their organizations.

Chart 6: Engaging in environmental scanning

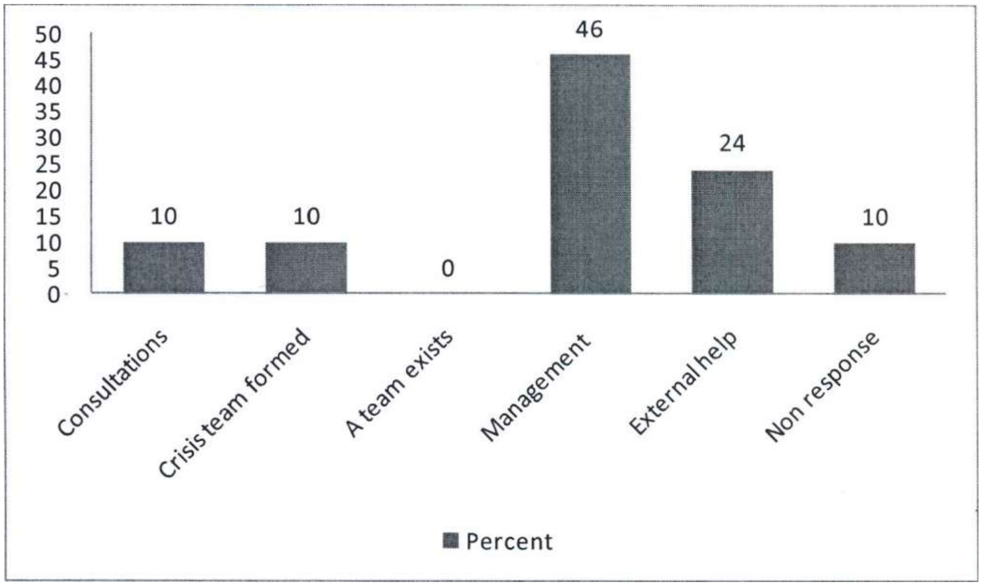


Source: Research data

As indicated in the literature review, environmental analysis is an important aspect of strategic evaluation and control because it helps organizations to keep track of new developments in their environment and set or realign their strategies. Out of 21 companies interviewed only 3 (14%) conduct environmental scanning as shown on chart 6 above. All the three companies scan both their internal and external environments. These results were unexpected because the findings of the literature review indicate that the dairy industry is extremely competitive and therefore most companies were expected to have environmental scanning mechanisms in place. Out of the three companies that conduct environmental scanning, one company analyzes the environment on a daily basis; one company conducts the scanning weekly while the last one does it on a monthly basis. A 100% of these companies communicate results of the scanning to the relevant people in the organization. Dairy companies need to set up deliberate environmental intelligence systems that ensure the right people in the organization have relevant information to make informed strategic decisions. Companies should take advantage of ICT when collecting and analyzing this data.

Assumptions are important aspects of strategic plans. As indicated in earlier chapters, environment keeps changing and review of assumptions helps organizations to know whether their current strategies are appropriate or not. This study established that out of 13 companies that have strategic plans, majority (69%) have assumptions which are reviewed on a yearly basis. This is not as expected because the literature review showed that assumptions need to be reviewed as often as possible.

Graph 2: How crisis was handled



Crisis whether internal or external is part of organizational development. It was found out that a 100% of all 21 dairy processing companies have experienced a crisis at one time or the other. However, the way organizational crisis were handled differed. As depicted on graph 2 above, 46% of companies left it to top management while 10% relied on external assistance as shown on graph 2 above. In 10% of the companies, a crisis team was formed. As shown above, no dairy processing company has a crisis team. Key reason given was that this team would be expensive to maintain and team members would not be fully occupied. Crisis teams need to become a common feature in all dairy companies so that they can be responsive to changes in the environment.

4.5 Factors Contributing to Successful Strategy Evaluation and Control

How organizational processes are established was found to contribute to effectiveness of strategy evaluation and control systems from the literature review. The study found out that out of 7 companies that have established strategy and evaluation mechanisms 71% of them consider planning and control systems as having the greatest influence on strategy evaluation followed by performance targets (43%) and reward systems (29%).

Important to effective strategy evaluation and control is change of culture as revealed by 100% of the respondent, change of structure (100%), leadership (100%) while training and management support were found to have a moderate effect on strategy evaluation and control. This is as expected from the literature review where culture and structure was found to play a critical role in effective strategy evaluation. Respondents indicated that employees were a critical resource to effective strategy evaluation and control though their organizations had not put in place mechanisms to ensure employee participation.

Table 2: Achievement of documented strategies

	Frequency	Percent	Cumulative percent
To a small extent	0	0	0
To an extent	5	38	38
To a moderate extent	8	62	100
To a great extent	0	0	100
To a exceptional extent	0	0	100
Total	13	100	100

Source: Research data

Asked whether their organizations achieve all their documented strategies, a 100% of the 13 companies that develop strategic plans indicated that they do not achieve all their strategies as shown on table 2. Majority (62%) failed to achieve their strategies to a moderate extent while 38% failed to achieve their strategies to an extent. This confirms the findings of the literature review where studies showed that most companies fail to achieve their stated strategies. Dairy companies need to develop effective strategy evaluation systems which should inform managers about the existence of strategic gaps so that appropriate measures can be taken to close them.

4.6 Challenges of Strategy Evaluation and Control

As found out in the literature review, strategy evaluation and control is a challenging and complex aspect of strategic management for most organizations today. Out of 7 companies that develop strategy evaluation and control mechanisms, 63% revealed that lack of understanding of strategy evaluation and control is their key challenge. Lack of financial resources to develop and implement strategy evaluation and control systems was also cited as a key challenge by 52% of respondents. Poor organizational culture, lack of strategy evaluation champions, lack of employee involvement were also considered as key challenges by 58% of respondents. A 100% of all respondents indicated that it would be critical to expose employees and management to the importance of strategy evaluation and control in order to overcome most of these challenges.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

This chapter summarizes key findings and draws conclusions relevant to the research. This study had two objectives, one; to establish strategy evaluation and control practices among dairy processing firms in Kenya and, two; to determine the challenges that these firms are facing in strategy evaluation.

The following were the key findings for objective one;
As expected, the response rate was not a 100% with some companies preferring to withhold information due to perceived competition in the industry. However, the response rate was favorable with 62% of respondents agreeing to participate in the survey.

Mission and vision statements were found to exist in some companies. Out of 21 interviewed companies, 5 out of 10 companies have mission and vision statements as well as strategic plans. Regardless of their ownership, dairy firms need to craft vision and mission statements that are inspiring to all employees in their organizations.

Review of strategic plans was not too common in the industry with 45% of the 13 dairy processing companies that develop strategic plans indicating that they never review. As noted in other parts of this report, most companies rarely go back to compare their results with what was planned.

Environmental scanning was found to be rarely done by most respondents. Out of 21 companies interviewed only 14% conduct environmental scanning. These results were unexpected because the findings of the literature review indicate that the dairy industry is extremely competitive and therefore most companies were expected to have environmental scanning mechanisms in place.

Crisis management systems were not found to be in place in most companies though a 100% of them indicated that they have experienced a crisis at one time or the other. Dairy companies need to set up deliberate environmental intelligence systems that ensure the right people in the organization have relevant information to make informed strategic decisions.

There exists gaps between strategic plans and strategic outcomes in all dairy companies but the gaps vary. All respondents from the 13 companies that develop strategic plans indicated that they do not achieve all their strategies. Majority (62%) failed to achieve their strategies to a moderate extent. This confirms the findings of the literature review where studies showed that most companies fail to achieve their stated strategies. Dairy companies need to develop effective strategy evaluation systems which should inform managers about the existence of strategic gaps so that appropriate measures can be taken to close them.

For objective two;

Lack of understanding of strategy evaluation and control was found to be the key challenge facing the industry. Only 7 companies were found to have strategy and control mechanisms. Lack of financial resources to develop and implement strategy evaluation and control systems was also cited as a key challenge by 52% of respondents. A 100% of all respondents indicated that it would be critical to expose employees and management to the importance of strategy evaluation and control in order to ensure industry competitiveness.

Given these findings; dairy processing companies need to take a different strategic orientation where strategy evaluation and control becomes a central theme for building competitiveness and improving performance. Key areas to start with would be to start committing resources to strategy evaluation and control systems; investing in the right strategy and evaluation structures; exposing/demystifying and involving key stakeholders in strategy evaluation and control; and incorporating strategy evaluation and control in strategic planning.

5.2 Limitations of the Study

This study was not without limitations. Key challenges included;

Non-response; though non- response was expected in the industry due to competition and the need to keep information as far away from competitors as possible, some companies declined to participate in the survey.

Unavailability of key respondents; managing directors and strategic managers were the key respondents for this survey. However, for most companies, key respondents were unreachable and sometimes protected by their personal assistants. In such cases, this survey relied on key informants who requested to remain anonymous.

Lack of data; Limited secondary data exists on strategy evaluation and control. This study relied on the internet and recent publications to collect current data on the study area.

5.3 Recommendations for Future Research

Researchers in strategic management can take the topic of strategic evaluation and control further by conducting a case study on one of the dairy processing companies in Kenya. Another area that need more research would be establishing additional factors that contribute to effective strategy evaluation and control. This would be important to analyze because internal and external environments of organizations keep changing and a key success factor today may not necessarily be a key success factor tomorrow.

REFERENCES

Ansoff, H. I. & Mcdonnel, J. (1971), **The concept of Corporate Strategy,** Irwin: Homewood, U.SA.

Ansoff, H. I & McDonnel (1990), **Implanting Strategic Management,** Prentice Hall, New Delhi

Aosa, E.O. (1992), **Strategic Management Practices in Large Manufacturing Firms in Nairobi,** Unpublished MBA Project Paper, University of Nairobi

Abell D. F., (1999), **Competing Today While Preparing for Tomorrow, Sloan Management Review, Spring**

Basil, O.O (2006), **Strategy Implementation by Major Petroleum Companies in Kenya, Unpublished MBA Project Paper,** University of Nairobi

Beer, M. & Eisenstat R., (2000), **The Silent Killers of Strategy Implementation and Learning,** Sloan Management Review, Summer

Beer, M. & Norhia, N. (2000), **Breaking the Code of Change,** Harvard Business School Press.

Bett, S.K. (1995), **Strategic Marketing of Dairy Products in Kenya, Unpublished MBA Project Paper,** University of University of Nairobi

Benson, K. (2006), **Challenges Facing K-REP Bank in Implementing of Strategic plans, Unpublished MBA Project Paper,** University of Nairobi

Bruce, A. & Langdone, K. (2000), **Strategic Thinking** Dorling Kindersley Publishing Inc. New York

Bwibo, A. (2003), **A study on Strategic Change Management Practices Within NGOs in Kenya, Unpublished MBA Project Paper,** University of Nairobi

Bryan, L. and Joyce, C. (2005), The 21st Century Organization, **McKinsey Quarterly**

Cole, G.A. (1997), **Strategy Management,** Ashford Colour Press, Gasport, Hampshire, Second Edition

Cheluget, E. (2003), **A Study of Responses of New K.C.C to Increased Turbulence in the Macro Environment, Unpublished MBA Project Paper,** University of Nairobi

Covey, S.R, (2004), **Closing the Execution Gap, The Practice of Leadership,** February

Cooper, D. and Schindler, P. (2006), **Business Research Methods,** McGraw-Hill, 9th Edition,

Coulter, M. (2005), **Strategic Management in Action,** Pearson Prentice Hall, New Jersey, Third Edition.

Davis, **I.** and Stephenson, E, (2005) **Ten Trends to Watch in 2006,** McKinsey Quarterly

Delisi, P S, (2000), **The Last Link: Closing The Gap That Is Sabotaging Your Business,** Vision to Reality, July-August

Drucker, P.F (1992), **Managing for the Future: The 1990 and Beyond,** New York

Eicher, J.P (2006), **Performance Improvement,** Vision to Reality, Nov/Dec

Gioche, L.W. (2006), **The Level of Involvement of Project Managers in Strategic Planning and Challenges of Implementation in International NGOs, Unpublished MBA Project Paper,** University of Nairobi

Hunger, J.D & Wheelen, (1999), **Strategic Management,** Replika Press Pvt Ltd, EOU, Delhi, 6th Edition

Hamel, G. & Prahalad, G. (2006), **Competing for the Future,** Tata McGraw, New Delhi

Hrebiniak, L.G. (2006), **Obstacles to Effective Strategy Implementation,**

Organizational Dynamics, 35(1), 12-31

Harvard Business Review (1999), **Why Do Employees Resist Change,** pg 86, May-June

GOK, (1999), **National Poverty Eradication Plan,** 1999-2015, Government Printers

Githui, J.K (2006), **Challenges for Strategy Implementation in Barclays Bank Limited, Unpublished MBA Project paper,** University of Nairobi

Giles, W.D., (1991) **"Making Strategy Work," Long Range Planning,** Intelligent Enterprise, October

Glesne, C. and Alan, P. (1992), **Becoming a Qualitative Researcher: An introduction,** Longman, NewYork.

Goold, M. et al, (1999,) **Surfing the Edge of Chaos,** Sloan Management Review, Spring

Johnson, G. and Scholes (1999), **Exploring Corporate Strategy,** London, Prentice Hall

Judson, A.S & Koske, F.L (1996), **Making Strategy Happen, Transforming Plans into Reality,** 2nd Edition, Blackwell Business Publishers

Kandie, P.Y. (2001), **A Study of The Strategic Responses by Telkom Kenya, Unpublished MBA Project Paper,** University of Nairobi

Karuri ,J.W. (2006), **Challenges of Strategy Implementation in DFIs. Case study of ICDC, Unpublished MBA Project Paper,** University of Nairobi

Karanja, A.M, (2003), **The Dairy Industry in Kenya: The Post-Liberalization Agenda,** ILRI

Publications

Kaplan, S. & Norton, P. (2000), **Balanced Scorecard Report,** Vision to Reality, July-August

Kaplan, S. & Norton P, (1992) **The Balanced Scorecard - Measures That Drive Performance,** Harvard Business Review, January-February

Kaplan, S. & Norton, P., (2000), **Having Trouble with Your Strategy? Then Map It,** Harvard Business Review,, September-October

Kaplan, R.S and Norton P, (2006), **How to Implement Your New Strategy Without Disrupting Your Organization,** Harvard Business Review, 100-109, March

Kiechel, W., (1984), **Sniping at Strategic Planning, Planning Review,** May

Lepsinger, Richard, (2006), **Surveying the Gap: Seven Steps to Strategy Execution,** October

Legace, M., (2006), **What Really Drives Your Strategy,** Harvard Business School Working Knowledge

Mankins, and Steele, (2005), **Turning Great Strategy into Great Performance,** Harvard Business Review paper(Jan-Feb)

Michael, J.M (2005), **Factors Influencing Strategy Implementation by International NGOs in Kenya, Unpublished MBA Project paper,** University of Nairobi

Muthuiya FA (2005), **Strategy Implementation and its Challenges In NGOS In Kenya. The case of AMREF, Unpublished MBA Project Paper,** University of Nairobi

Machuki, V. (2006), **Challenges to Strategy Implementation at CMC motors Group Ltd, Unpublished MBA Project Paper,** University of Nairobi

Mintzberg, H & Waters **J.** A. (1982), **Tracking Strategy in an Entrepreneurial Firm. Academy of Management Journal,** pg 465-499

Mintzberg, H. & Waters, J A. (1985), **Of strategies, Deliberate and Emergent, Strategic Management Journal,** 6, 257-272.

Mintzberg, H. & Quinn J.B., (1995), **The Strategy Process: Concepts, Contexts and Cases, 3rd Edition,** Prentice Hall

Mintzberg, H et al (1998), **Strategic Safari; A guided Tour Through The Wilds of Strategic Management,** New York, Simon and Schuster Inc.

Mankins, M.C., & Steele, R., (2005), **Turning Great Strategy into Great Performance.** Harvard Business Review, July-August, 1 - 1 0

Mondi, A.M (2004), **A Response of Mortgage Companies in Kenya to Threats of New Entrants. The Case Study of Savings and Loan (K) Ltd. Unpublished MBA Project paper,** University of Nairobi

McCarthy, D.J (1986), **Business Policy & Strategy: Concepts and Reading,** 4th Ed; Richard D-Irwin, Inc

McCann, J, (2004), **Organizational Effectiveness, Changing Concepts for Changing Environments,** Human Resource Planning Journal, 42-50, March (2004),

McKinght, R., Leading Change; (2005), **The Human Side of Change,** Human Resource Planning Journal

Mugenda, O. and Mugenda, A., (2003), **Research Methods, Quantitative and Qualitative Approaches,** Acts Press, Kenya

Nguma, E.M (2006), **Challenges of Strategy Implementation in the Scripture Union of Kenya, Unpublished MBA Project Paper,** University of Nairobi

Ochanda, R. A (2006), **Challenges of Strategy Implementation at Kenya Industrial Estates Ltd, Unpublished MBA Project Paper,** University of Nairobi

Ongaro, K. (2004), **Strategic Change Management Practices in Kenyatta National Hospital, Unpublished MBA Project Paper,** University of Nairobi

Owuor, O.P. (2006), **Strategy Development Processes and Factors Influencing them at Kenya Pipeline Company Ltd. Unpublished MBA Project Paper,** University of Nairobi

Ombati, P A. (2006), **Strategy Implementation of HIV/AIDS Workplace Policies. A Case Study of Challenges and Responses of the International Federation of Red Cross and Red Cresent Societies of Kenya, Unpublished MBA Project Paper,** University of Nairobi

Ohmae, K. (1982), **The Mind of a Strategist: The Art of Japanese Business,** McGraw-Hill

Porter, M.E, (1997), **Competitive Advantage,** McGraw-Hill,

Porter, M.E, (2001), Strategy and the Internet, **Harvard Business Review,** March

Peters, T.J and Waterman, R.H, (1980), Structure is not Organization, **McKinsey Quarterly**

Peters, T.J and Waterman, R.H, In Search of Excellence, (1982), **McKinsey Quarterly**

Pearce, J.A. & Robinson R.B., (1997), **Strategic Management: Implementation and Control,** Irwin McGraw, Boston, U.S.A

Quinn, J.B. Intelligent Enterprise (1992), **A knowledge and Service Based Paradigm for Industry.** New York, The Free Press

Raps, A. (2005), **Strategy Implementation; An insurmountable Task? Handbook of Business Strategy,** 6(1), 141-146

Rumelt R.P, (2000), **Strategy Evaluation,** The Anderson School UCLA

Senge, P.M (1990), **The Fifth Discipline, the Art and Practice of the Learning Organization, New York:** Bantam Doubleday Dell Publishing Group, Inc

Senge, M.P, (1990) The Leaders New Work; Building Learning Organizations, **Sloan Management Review,** Pgs.7-23.

Sun Tzu, (1963), **The Art of War,** Translated by Samuel B. Griffith, Oxford University Press,

TecchnoServe, (2004), **Dairy Competitiveness Study,** Unpublished Dairy Report

TecchnoServe, (2006), **Dairy Welfare Monitoring Survey,** Unpublished Dairy Report

Wolcott, H. (1990), **Writing up Qualitative Research,** Qualitative Research Method Series 20, Sage Publications, USA.

Internet sites;

www.onpointconsultingllc.com/closing_gap.html - 8k, (24th June, 2008)

www.marakon.com/ida_050222_mankins_01.html - 19k, (24th June, 2008)

http://www.strategytoaction.net/. (24th June, 2008)

http://www.thepracticeofleadership.net/2007/06/02/the-gap-between-strategy-and-execution/ ,(12th June, 2008)

http://www.themanager.org/models/7s%20model.htm, (21st June, 2008)

http://www.plansin2actions.com/article2.htm, (19th June, 2008)

http://www.newparadigm.com/media/Strategy-ExecutionGap.pdf, (24th June, 2008)

http://www.vision2reality.com/politicsVprocess.pdf, (17th June, 2008)

http://www.busbyplans.com/files/Bridging_the_Strategy-Execution_Gap.pdf
www.australiananthill.com, (26th June, 2008)

http://www.intelligententerprise.com/channels/performance_management/showArticle.jhtml?articleID=197800162. (June, 2008)

http://www.allbusiness.com/human-resources/employee-development-leadership/4109583-1.html. (24th June, 2008)

http://www.vision2reality.com/politicsVprocess.pdf, (24th June, 2008) http://www.strategic-control.24xls.com/enl 11. (4th July, 2008)

http://en.wikipedia.org/wiki/Strategic_management. (5th July, 2008)

http://www.businessbaHs.com/tompetersinsearchofexcellence.htm.f4th July, 2008)

http://www.qualitv.nist.gov/Business_Criteria.htm. (21st June, 2008)

http://psvch.athabascau.ca/html/aupr/tools.shtml. (23rd June 2008)

APPENDIX 1: QUESTIONNAIRE

Part A; Respondents Personal Information

Name:

Company

Average milk volumes processed per day

Department;

Position

Contacts

Part B; Strategic Management Practices

1. Does your organization have a vision and mission statements? (Tick where appropriate)
   1. Yes
   2. No
   3. I don't know

2. Does the vision and mission statement inspire you?
   1. Yes
   2. No

3. Does your organization have a strategic plan?
   1. Yes
   2. No
   3. I don't know

4. How many years is the strategic plan? (Tick where appropriate)
   1. 1 yr
   2. 2 yrs
   3. 3 yrs
   4. 5yrs
   5. Other (specify)

5. How often does your organization review the plans? (Tick where appropriate)
   1. Monthly

2. Quarterly
3. Bi-annually
4. Annually
5. Every 2 years
6. Over 3 yrs
7. Never
8. Other (specify)

6. Who formulates strategies? (Tick where appropriate)
    1. The General Manager
    2. The executive committee
    3. The board/management committee
    4. Key staff and management committee
    5. All employees and management
    6. Consultants
    7. Other (specify)

7. Do you understand what is contained in the strategic plan (Tick where appropriate)
    1. Yes
    2. No

8. Are you given an opportunity to question/challenge the organizations strategic direction? (Tick where appropriate)

    1. Always
    2. Sometimes
    3. Never
    4. I never question

Part C; Strategy Evaluation and Control Practices

1. Does each department have their own strategies? (Tick where appropriate)

    1. Yes

    2. No

2. If yes above, who sets them? (Tick where appropriate)

    1. The General Manager
    2. The Functional Manager
    3. The executive committee
    4. The management committee/board
    5. The sub committee
    6. Top management
    7. All employees and management

8. Consultants
9. Other (specify)

3. How is strategy evaluated in your organization?
    1. Formally
    2. Informally

4. Who develops strategy evaluation and controls? (Tick where appropriate)
    1. The General Manager
    2. The executive committee
    3. The board/management committee
    4. Key staff and management committee
    5. All employees and management
    6. Consultants
    7. Other (specify)

5. Where are your strategy evaluation and controls derived from? (Tick where appropriate)
    1. Company strategic plan
    2. Customer feedback
    3. Managements meetings
    4. Other (specify)

6. Do you have company wide objectives and targets?
    1. Yes
    2. No

7. How often are they reviewed? (Tick where appropriate)
    1. Monthly
    2. Quarterly
    3. Bi-annually
    4. Annually
    5. 2 yrs
    6. Are never reviewed
    7. Other (specify)

8. Do you have functional objectives and targets? (Tick where appropriate)
    1. Yes

2. No

9. How often are they reviewed? (Tick where appropriate)

1. Monthly
2. Quarterly
3. Bi-annually
4. Annually
5. 2 yrs
6. Are never reviewed
7. Other (specify)

10. Do employees have their own objectives and targets?

1. Yes
2. No

11. How often are they reviewed? (Tick where appropriate)

1. Monthly
2. Quarterly
3. Bi-annually
4. Annually
5. Are never reviewed
6. Other (specify)

12. Does the organization punish employees depending on the results of these reviews?

1. Yes
2. No

13. Does the organization reward employees depending on the results of these reviews?

1. Yes
2. No

14. Does the organization train employees depending on the results of these reviews?

1. Yes
2. No

1. Yes

15. Does the organization change strategies depending on the results of these reviews?

2. No

16. Does the department change strategies depending on the results of reviews?

1. Yes
2. No

17. Does your organization engage in environmental scanning or analysis? (Tick where appropriate)

1. Yes
2. No
3. I don't know

18. Who does the environmental scanning? (Tick where appropriate)

1. Its done internally
2. Its outsourced
3. Am not sure

19. Which of the following aspects of the environment are analyzed (Tick where appropriate)

1. Internal only
2. External only
3. Both internal and external
4. Not sure

20. How often is environmental scanning done? (Tick where appropriate)

1. Daily
2. Weekly
3. Fortnightly
4. Monthly
5. Quarterly
6. Biannually
7. Yearly
8. 2 years
9. Never
10. Am not sure
11. Others (please specify)

21. Is information collected from environmental scanning communicated to the right people in the organization? (Tick where appropriate)

1. Yes
2. No

3. Am not sure

22. Does the organization change its strategy depending on the information collected from environmental scanning?

1. Yes
2. No

23. When developing strategies, does the organization make any assumptions?

1. Yes
2. No
3. Am not sure

24. Does the organization review these assumptions?

1. Yes
2. No
3. Am not sure

25. How often does the organization review assumptions? (Tick where appropriate)

1. Weekly
2. Fortnightly
3. Monthly
4. Quarterly
5. Biannually
6. Yearly
7. After two years
8. Never
9. Am not sure
10. Other (please specify)

26. Does the organization change its strategy depending on the results received from reviewing these assumptions?

1. Yes
2. No
3. Am not sure

27. Do you have organizational milestones?

1. Yes
2. No

28. How often are these milestones reviewed? (Tick where appropriate)

1. Weekly
2. Monthly
3. Quarterly
4. Biannually
5. Yearly
6. After 1 year
7. After two years
8. Never
9. Not sure
10. Other (Pis specify)

29. Do you change organizational strategy when milestones can not be achieved?

1. Yes
2. No
3. Am not sure

30. Do you have departmental milestones?

1. Yes
2. No
3. Am not sure

31. How often are they reviewed?

1. Weekly
2. Monthly
3. Quarterly
4. Biannually
5. Yearly
6. After 1 year
7. After two years
8. Never
9. Not sure
10. Other (Pis specify)

32. Do you change departmental strategy when milestones cannot be achieved?

1. Yes
2. No

33. Has your organization ever been faced with a sudden internal crisis?

1. Yes

2. No

34. If yes above how was it handled? (Tick where appropriate)

1. Through consultations
2. A crisis team was formed
3. A team exists to deal with crisis
4. We sought external support
5. The management handled it
6. Am not sure

35. How does your organization deal with sudden external crisis? (Tick where appropriate)

1. Through consultations
2. A crisis team was formed
3. A team exists to deal with crisis
4. The management handles it
5. We seek external help
6. Am not sure

36. Does current strategy evaluation and controls adequately support company strategic plan (Tick where appropriate)

1. Very adequate
2. Slightly adequate
3. Not at all
4. Don't know

37. To what extent do you think the current strategy evaluation and control supports continuous improvement and organizational learning? (Tick where appropriate)

1. To a small extent
2. Somehow supports
3. Moderately supports
4. Supports
5. To a great extent
6. Am not sure

Part D; Factors Contributing to Successful Strategy Evaluation and Control

1. Rate the extent to which each of the following processes has been effectively used in strategy evaluation and control in your organization. **l=not effective and 5=very effective**
(Tick where appropriate).

	1	2	3	4	5
1. Direct supervision	()	()	()	()	()
2. Planning and control systems	()	()	()	()	()
3. Performance targets	()	()	()	()	()
4. Reward systems	()	()	()	()	()
5. Product flow	()	()	()	()	()

2. To what extent has the following factors contributed to the success of evaluation and control in your organization? Where l=Not at all and 5=very successful. Tick where appropriate)

	1	2	3	4	5
1. Change of structure	()	()	()	()	()
2. Change of culture	()	()	()	()	()
3. Leadership of CEO	()	()	()	()	()
4. Leadership of the board	()	()	()	()	()
5. Employee participation	()	()	()	()	()
6. Employee training	()	()	()	()	()
7. Financial resources	()	()	()	()	()
8. Management support	()	()	()	()	()
9. Open communication	()	()	()	()	()

3. How has cultural practices influenced strategy evaluation and control? Tick where appropriate, where l=no effect and 5=great effect

	1	2	3	4	5
1. Politicized internal environment	()	()	()	()	()
2. Hostility to change	()	()	()	()	()
3. Application of historical performance measures	( )	()	()	()	()
4. Aversion to strategy evaluation and control	()	()	()	()	()
5. Overdependence on financial measures	()	()	()	()	()

4. To what extent has the organization undertaken the following task to build the spirit of high performance into organizational culture? **Where l=not at all and 5=very great extent.**

1. Clarifying strategic evaluation and control direction to every employees
2. Making sure employees are involved in strategy evaluation process
3. Matching employee capabilities with the right tasks

4. Developing the right criteria for performance measurement
5. Every employee knows their responsibilities
6. Training and coaching each employee
7. Encouraging employees to use own initiative and creativity
8. Setting reasonable performance targets and milestones
9. Empowering employees to excel
10. Developing open culture
11. Fair reward system
12. Feedback

Part E; Challenges to Strategy Evaluation and Control

1. Does your organization achieve all its documented strategies?

    1. Yes
    2. No
    3. I don't know

2. To what extent does your organization achieve its documented strategies?

    1. To a small extent
    2. To an extent
    3. To a moderate extent
    4. To a great extent
    5. To a exceptional extent

3. To what extent has the following external factors affected strategy evaluation and control in your organization? Rate the factors, where l=not all and 5=great extent.

	1	2	3	4	5
1. Economic	()	()	()		
2. Political-legal	()	()	()		
3. Socio-cultural	()	()	()		
4. Technology	()	()	()		
5. Competition	()	()	()		
6. Creditors	()	()	()		
7. Customers	()	()	()		
8. Members	()	()	()		
9. Executive committee	()	()	()		
10. Management committee	()	()	()		

4. To what extent has the following internal factors affected strategy evaluation and control? **Rate the factors, where l=not at all and 5=very much**

    1. Poor strategy evaluation and control framework
    2. Failure to incorporate employees in strategy evaluation and control
    3. Poor understanding of strategy
    4. Lack of proper and clear targets, timeframes and milestones

5. Lack of commitment by staff
6. Lack of commitment by management
7. Lack of commitment by the board
8. Lack of understanding of the importance of strategy evaluation and control and how people fit-in
9. Poor communication
10. Poor leadership style
11. Wrong organizational structure
12. Unsupportive organizational culture
13. Lack of financial resources
14. Use of quantitative measures only
15. Use of qualitative measures only
16. Lack of human resource skills
17. Inadequate physical resources, lack of physical capacity
18. Inadequate technical know-how
19. Lack of industry intelligence system
20. Limited IT capacity
21. Poor management of resources
22. Board interference
23. Key staff leaving the organization
24. Strategy evaluation and control is too monotonous
25. Strategy evaluation and control is not well understood
26. Lack of clear responsibility
27. Strategy evaluation and control developed by consultants
28. Inflexibility of strategy evaluation and control
29. Unexpected commitments and activities that are distractive and result to diversion of activities
30. Resistance to change
31. Lack of link between reward systems and strategic performance
32. Goals and objectives not well understood
33. Key implementation tracks and activities not well defined
34. Too many strategy evaluation and control criteria
35. Poor monitoring and evaluation system to identify gaps
36. Separation between strategic planning and strategy evaluation and control
37. Over concentrating on what competitors are doing
38. Viewing strategy evaluation and control as an end to itself
39. Poor management of change

5. In your opinion, how to you rate the level of your organizations determination in ensuring an effective strategy evaluation and control system?

1. Highly determined
2. Slightly determined
3. Not determined
4. Don't know

6. Do you have any comments?

APPENDIX 2: LIST OF PROCESSORS

KENYA DAIRY BOARD

PROCESSORS' INTAKES 2008 (LTRS)

	WES'- Processor	, -	s^nsnsK-zm&Jsim	-iff SI	;•	;. Nqye.c,	;-v. :•	' Total
1	New KCC	7,890,927	6,473,921	6,013,571	6,895,477			27,273,896
2	Brookside	6,439,800	5,970,736	5,597,373	6,535,856			24,563,765
3	Githunguri Milk	2,864,365	2,834,573	3,101,252	3,074,904			11,875,094
4	SpinKnit	2,450,835	2,291,760	2,149,945	2,470,445			9,362,985
S	Meru Central Dairy	799,655	726,433	933,185	553,987			3,013,259
6	Limuni Milk Processors	773,276	600,845	562,089	606,827			2,543,036
7	Lari Dairy Alliance	548,100	502,821	500,291	555,229			2,106,441
8	Afrodane Industries	432,150	385,505	390,920	412,430			1,621,005
9	Adarsh Developers	253,016	188,773	223,968	244,135			909,892
10	Kabianga Dairy Ltd	-	264,140	124,263	216,288			604,690
11	Happy Cow	169,100	149,163	125,988	141,657			585,908
12	DonyoLessos	217,385	98,955	64,557	95,596			476,493
13	Greenland Dairy	54,690	83,073	161,840	171,410			471,013
14	Raka Milk processors	88,595	74,519	83,021	111,695			357,830
IS	Bio Food products	92,410	81,655	83,033	87,343			344,441
16	Stanley & Son Ltd	-	65,590	259,265	-			324,855
17	Sun Power Products	83,990	74,910	65,665	62,380			286,945
18	Palmhouse Dairies	63,167	57,555	60,603	59,128			240,453
19	Kilifi Plantation	9,530	36,067	83,260	87,835			216,692
20	Hussein Dairy Ltd	-	73,051	-	21,640			94,691
21	Farmers Milk Proc	46,645	47,540	-	-			94,185
22	Eldoville Farm	-	-	82,269	-			82,269
23	Miyanji Dairy Farm	17,410	15,650	22,110	20,765			75,935
24	Egerton University	30,667	12,309	-	23,260			66,236
25	Moi's Bridge Dairy	-	18,200	15,531	23,310			57,041
26	Palm Farm LTD	-	-	-	53,855			53,855
_ 2 7 J	Molo Milk	-	-	-	53,075			53,075
28	Silent Valley Creameries	13,300	10,455	15,850	12,790			52,395
29	Bico Farm Limited	15,855	-	-	26,073			41,928
30	Baraka Farm	5,900	7,100	6,850	13,295			33,145
31	Tambul Dairies	-	-	25,000	6,950			31,950
33	Dalamere Holdings	-	-	-	-			•
34J	Daima	620,000	620,000	620,000	620,000			2,480,000
		* - 14 000 767	jS B i i S ^ ^ i H B ^ B P ^ 1 2iJ7" B>,	23257634				