

Strategy Development among Water Services Boards in Kenya

By

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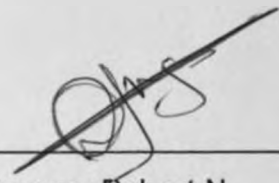
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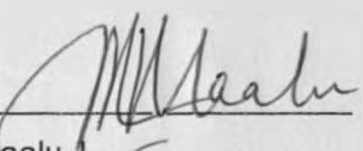
Declaration

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

Signed 
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The research project has been submitted with my approval as the University supervisor.

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Dedication

Dedicated to my loving mother, Wangui Njoroge.

Acknowledgement

The undertaking of this research work was a long process that commenced when I joined the University of Nairobi for the MBA course. Through the many engagements I had with my lecturers, my colleagues in class and in other professional and social networks, the research problem was conceived and finally carried out. There are many people who contributed to the research work presented here through interactions, either directly or indirectly, many of whom I will not be able to acknowledge individually because the space is limited, but to them all my gratitude remains. However, I will mention a few names, to act as representatives.

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List of Abbreviations

CBO	- Community Based Organization
CEO	- Chief Executive Officer
EABL	- East African Breweries Limited
GOK	- Government of Kenya
HDR	- Human Development Report
MDG	- Millennium Development Goals
MoWI	- Ministry of Water and Irrigation
NCWSC	- Nairobi City Water and Sewerage Company
NGO	- Non Governmental Organization
SBU	- Strategic Business Unit
SMART	- Specific, Measurable, Attainable, Realistic and Time Bound
SPA	- Service Provision Agreement
SPSS	- Statistical Package for Social Sciences
UN	- United Nations
WASREB	- Water Services Regulatory Board
WARMA	- Water Resources Management Authority
WSB	- Water Services Boards
WSP	- Water Service Providers
WUA	- Water Users Association

Abstract

Organizations are open systems that depend on the operating environment for resources and outlets of their products and services (Pearce and Robinson, 2007). According to Ansoff (1984), an organization must establish a fit between itself and its operating environment for it to achieve its goals and objectives and for long term sustainability. An organization must therefore match its strategy and supporting capability with the environment to optimize its competitiveness and long-term sustainability (Ansoff, 2006). This therefore underpins the importance of strategy development process. An organization's strategy has a major contribution in its strategic management process, hence the importance of strategy development. Strategic plans are not only important in private organizations, but also in state corporations such as state corporations (Johnson et al., 2005) such as water service boards.

Water services boards are state corporations which were established under section 51 of Water Act 2002. According to the Act, the mandate of the WSBs is to provide water and sewerage services through infrastructure development, and licensing of water service providers as their agents in provision of water and sewerage services. As a body mass therefore, the WSBs are responsible for achievement of the millennium development goals number 7 target 4 and objectives set out in Vision 2030 for water and sewerage services. The WSBs operate in an environmental context where the broad policy framework and long-term objectives are set by the ministry in charge of water. The demand for the water and sewerage services is big, the government set objectives very ambitious, but on the other hand, tariffs from WSPs, which are main source of revenue, are strictly controlled by the government through the water services regulatory board.

The water services board, like all other organizations, faces challenges environment related to the environment such as the political, economy, technology, social, ecological and legal. Further the WSBs as state corporations face competition for resource allocation from the government with other state corporations. As a sub-sector and individually, they also

compete in attracting bilateral financial support with other state corporations (Johnson et al., 2005). The WSBs therefore must operate efficiently and demonstrate value for money, to achieve their mandate and for long-term sustainability. This demands for strategic management in the water services boards. The foundation of strategic management is strategic planning, the process through which organizations formulate appropriate strategy to achieve their goals and long-term objectives. The author was not aware of any previous studies carried out to document the strategy development processes and associated challenges faced by the water services boards. It is in recognition of these pertinent issues, that this research was undertaken.

The research was undertaken as descriptive study through the cross-sectional survey design method of data collection. The population of WSBs licensed as at August 31st, 2008 the time of this study was small and covered areas of jurisdiction with contrasting geographical features, and each of them had a separate and independent board of directors. Therefore a census survey was undertaken across all the eight WSBs. Primary data was collected using a structured questionnaire, and results verified through personal interviews of the respondents, who were the CEOs of these Boards. The data collected was edited, coded and then analyzed using the SPSS, a computer based software for statistical analysis.

Through the study, the research established that strategy development process in the water services boards were formal and resulted in formal and documented vision and mission statements and strategic plans. This process was driven by a select committee of senior managers and the CEO in most of the WSBs with the facilitation of external consultants. The researcher established that although all WSBs undertook SWOT analysis as part of the strategic planning, other aspects of environmental analysis such as competitor analysis were not common. The researcher established that during the strategy development process, a monitoring and evaluation plan for the strategy was developed, however the documented financial plans did not contain adequate details for implementation.

According to findings in this study, the main challenges in strategy development faced by the water service boards were inadequate staff capacities in strategy development, inadequate baseline data for strategic planning, and inadequate financial resources for investment. Other significant obstacles were poor communication modes between the various stakeholders, and political interference.

In view of the findings from this study, the researcher recommended that strategy development in WSBs should include a thorough environmental analysis to enable informed prediction of the future, and therefore development of realistic strategies and accurate identification of the associated risks and assumptions. In line with strategy development practices in successful organizations, the strategic planning process in WSBs should include development of detailed financial plans for ease of strategy implementation.

Finally, it should be noted that this study was designed as a descriptive study hence it was not possible to establish the cause-effect relationship, between the strategy development processes and the outcome. The researcher therefore proposed that in future, a study of the relationship between strategy and performance be undertaken.

CHAPTER 1: INTRODUCTION

1.1 *Background*

1.1.1 Concept of Strategy

Organizations are open systems that depend on the operating environment for resources and outlets of their products and services (Pearce and Robinson, 2007). The operating environment is generally divided into two broad categories; the macro-environment; the micro-environment which constitutes the total environment for any organization. According to Ansoff (1984), an organization must establish a fit between itself and its operating environment for it to achieve its goals and objectives and for long term sustainability. Ansoff (2006) observed that for a firm to optimize its competitiveness and profitability and indeed long-term sustainability, it has to match its strategy and supporting capability with the environment.

An organization must continuously monitor its environment and adjust its plans accordingly when undesired results are detected to maintain a fit between the operating environment and itself (Pearce and Robinson, 2007). This is the concept of strategic management. The process of strategic management involves the following generally accepted processes: strategy formulation; strategy implementation; and evaluation and control (Pearce and Robinson, 2007). Strategy formulation, the foundation of strategic management, is the process that defines the road map that an organization chooses to achieve its strategic objectives.

A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole (Quin, 1980; Andrews 1980). A strategy also defines the range of business the organization is to pursue, the kind of economic and non-economic contribution it intends to make to its shareholders, employees, customers, and the communities (Andrew, 1980). A well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative

internal competences and short comings, anticipated changes in the environment, and contingent moves by intelligent opponents. A strategy reflects the firm's awareness of how, when and where it should compete, against who compete, and for what purpose. Through strategic planning, an organization develops strategies, the large-scale future oriented plans, for interacting with the competitive environment to achieve the organizations objectives.

The process of strategy formulation also involves setting a plan for the control and evaluation of the strategy, which helps re-align the strategy in-line with emerging realities during implementation (Mintzberg and Waters, 1985).

Organizations operating in different environment need different types of strategies to succeed. The way in which distinctive competences, organizational resources, and organizational values are combined is unique for each organization and each situation, i.e. strategies are context sensitive (Andrews, 1980).

Strategic plans must be formal to institutionalize strategic management (Porter, 1980; Johnson et al., 2005). According to Pearce and Robinson (2007), greater formality of strategic management is usually positively correlated with the cost, comprehensiveness, accuracy and success of planning. According to Pearce and Robinson (2007) the process of strategy formulation should include decision makers at all levels for ownership, which ensures harmony and clarity of roles during implementation. Various studies (Ansoff 1970, Gichohi, 2007; Ndung'u, 2006; Nguluu, 2006; Yamo, 2006) have shown that there is a very strong positive correlation between strategic planning and performance of organizations.

Various researchers have studied strategic planning practices in Kenya and other parts of the world. A study of companies quoted in the Nigerian stock exchange found that the responsibility of strategic formulation lay with the chief executives and the board of directors of most of these companies (Adegbite, 1986), further he found that there were significant differences in

strategic planning practices among these companies. Bett (2003) who studied strategic planning practices in tea processing companies in Kenya found that the strategic planning practices was less than two years old, which coincided with increase in environmental turbulence in the sector. Bett (2006) established that even in the tea companies operating in Kenya, there was a lot of variation in the strategic planning practices. Otete (2006) undertook a comparative study of strategic planning in the public and private sectors in Kenya concluded that the planning practices and factors of major influence were significantly different amongst the two sectors.

In summary therefore, strategy formulation is one of the very important processes in strategic management for organizations. The process of strategy formulation is context sensitive. Strategic planning practices differ from sector to sector and amongst different industries.

1.1.2 Water Service Boards

Water Service Boards (WSBs) are government state corporations which were formed to provide water supply and sewerage services in their respective areas of area of jurisdiction (GoK, 2002). The WSBs were formed after March 2003 when the Water Act became effective. Currently, the country is divided into eight mutually exclusive regions, and has eight WSBs (see appendix I). Each WSB is in-charge of one region. The oldest WSB, Athi WSB was formed in 2004, while the latest, Tanathi WSB was formed in June 2008 (WASREB, 2008). The formation of the water service boards was part of the on-going water sector reforms in the country in line with the Water Act 2002 (GoK, 2008).

In mid 1980s, the government commissioned a study to identify the water act which was in force then. The resultant report, the National Water Master Plan Study Report (1992) identified the bottlenecks in the Water Act Cap 372 which was in force then. According to the study, these were: inadequate funds for development, operation, and maintenance of water supplies and management

of water resources; institutional weaknesses especially scarcity of qualified manpower; unavailability of water sources due to uneven distribution in space and time; poor choice of technology in water supply and sewerage development; lack of proper coordination of various actors; and lack of proper inter-linkages with other related sectors (GoK, 1992). To address these challenges, a thorough review of policy and institutional framework in the sector was undertaken. These efforts resulted in the Sessional Paper No 1 of 1999 on "National Policy on Water Resources Management and Development" (GoK, 2008). The National Water Policy paper formed the review framework for the review of the Water Act Cap 372, culminating in the enactment of Water Act 2002 which became effective on March 18, 2003 (GoK, 2008).

The Water Act 2002 separates policy formulation, regulation and services provision; it defines clear roles for sector actors and a decentralized institutional framework (GoK, 2008). It was expected that with the redefined and clarified roles, the performance of the sector would improve, according to the Ministry of Water and Irrigation (GoK, 2008).

Under the new act, water supply and management of water resources were separated. The water services regulatory board (WASREB) was formed to oversee the provision of water supply and sewerage management while water resources management authority (WRMA) was formed to oversee the management of the water resources and protection of the catchments. A water appeals board headed by a judge of the high court was also formed to resolve disputes in the sector (GoK, 2002).

According to the Water Act 2002, the mandate of the WSBs is to manage water and sewerage services within their areas of jurisdiction namely the respective regions. The responsibility of the WSBs include holding or leasing and developing water assets, contracting water service providers (WSPs) as its main agents in provision of water and sewerage services, and preparing plans for improvement of services including expanding service coverage and reviewing tariffs (WASREB, 2008b).

The act also made a provision of the water service providers (WSPs) whose mandate was 'direct provision of water and sewerage services as agents of the WSBs'. Under this arrangement, WSBs were to deliver their product and services through WSPs licensed as agents and not directly (WASREB, 2008b). In the same act, a water services regulatory board (WASREB) with the mandate of 'regulation of water and sewerage services' was created. WASREB is in-charge of licensing WSBs, and also approves service provision agreements (SPAs) between the WSBs and WSPs (GoK, 2002).

Under this act, three categories of Water Service Providers were provided. Category I was for urban WSPs, which are incorporated as limited liability companies fully owned by one or more local authorities. Category II is for community water supplies which are managed by WSPs registered as water user associations (WUAs) by the registrar of societies. Finally Category III are private WSPs which include NGOs and private organizations. (WASREB, 2008b). As at May 2008, there were 79 licensed WSPs under category I and II, but none in category three (WASREB, 2008b).

For WSPs in Category I, the asset holder is the WSB for all water and sewerage infrastructure that were previously owned by the government and local authorities, while WSPs are service providers whose only responsibility is to operate and maintain the infrastructure. Any expansion of the infrastructure must be authorized by the WSB and undertaken as 'delegated' works. In which case, the WSP is entitled for a refund by the WSB. Under this arrangement, the WSP leases the assets from the WSBs (WASREB, 2008b).

The reforms as stipulated in the act also provided for commercialization of the water service provision. Therefore WASREB charges the WSBs a monthly license fee, on the other hand, WSBs charge the WSPs a monthly lease fees (GoK, 2002). The role of Water Service Boards is therefore critical water supply and sewerage management in the country.

According to the United Nations, Human Development Report of 2006 (UN-HDR, 2006) as detailed in Table 7 of the report, the population with sustainable access to an improved water source in Kenya in 2004 was 61%, which compared badly with its objectives, and also to other countries in Africa such as Egypt and Botswana with 98% and 95% respectively. In the same table of the HDR (2006), population with sustainable access to improved sanitation was 43% while in Egypt was 70% in 2004. The responsibility of the all the WSBs as a body mass is to steer the country in achieving the millennium development goals (MDGs) in water supply and sewerage. Millennium development goal number 7, which states, 'ensure environmental sustainability'. target 3, which states 'Halve, 2015 the proportion of people without sustainable access to safe water and basic sanitation' (UN, 2000) is the one applicable to the WSBs. Kenya being a signatory to the UN declaration adopted these Millennium development goals.

The water service boards are in the early formative stages, having been formed after March 2003 when the Water Act 2002 came into operation and the latest in June 2008 (WASREB, 2008a). The WSBs therefore as currently established, face the challenge of low capacities and young systems with little or no past experience to rely on. The other challenge is that the WSBs' mandate is to be carried out in a conceptual framework which is being tested in Kenyan water and sewerage services sector for the first time.

Other challenges include inadequate finances, low service coverage, rapidly changing economic factors such as inflation, dynamic demographic trends characterized by rural urban migration, rapid change in technology associated with service provision, changes in dominant economic activities from agriculture, to industrial and service industry economies. The WSBs also faces the challenges of changing lifestyles and increased awareness of consumers on need for high quality water. The WSBs also have to deal with the challenges of conforming to laws and regulations being enacted or enforced that affect its service delivery for example laws that deal with environmental pollution as regards sewerage management (NEMA, 2000). Further the pricing structure of its services that is controlled by the

government through the WASREB, while the WSB procure goods and services from the open and liberalized market.

The WSBs face numerous challenges related to environmental turbulence. The main problems are inadequate water supply and sewerage infrastructure to meet the demands of the ever increasing population, agricultural and industrialization process. Other challenges include inadequate financial resources and poorly developed technical staff capacity. These would be expected to force the water service boards to resort to strategic planning to be able to meet the goals and objectives of their establishment.

The concept of strategy and strategic management are just as important in the public sector as in commercial firms (Johnson et al., 2005; Otete 2006). State corporations in which WSBs fall face difficulties from a strategic point of view because they may not be allowed to specialize, and may not be able to generate surpluses from their services to invest in development. This can lead to mediocrity of service where strategic decisions mainly take the form of striving for more and more efficiency so as to retain or improve services on limited budgets. WSBs role are to provide basic services, with a demand that far outstrips supply. Ansoff (2006) observed that organizations in environments where demand exceeds supply, and customer needs are basic, organizations can be successful by being production oriented with emphasis on internal efficiency and productivity. Careful analysis of resources and allocation of these resources become very important (Johnson et al., 1999; Ansoff, 2006).

The critical ones arising from the operating environment include stiff competition for funds with other state corporations, with the resultant inadequate financial allocations from the government against a very high demand for water and sewerage services. Others factors dominant challenges include natural environmental factors of declining rainfall and recurrent drought, economic factors such as the inflation pressures, the rapid advancement in technology in the water supply and sewerage services sector (GoK, 2008).

In the public sector, the notion of competition is usually concerned with competition for resource inputs, typically within a political arena. The need to demonstrate value for money in outputs has become increasingly important. Many of the developments in management practices in the public sector, such as changes to internal markets, performance indicators, competitive tendering and so on, are attempts to introduce elements of competition in order to encourage improvements in value for money. Overall, the role of ideology in the development of strategy in the public sector is probably greater than that in commercial organizations. In other words, the criterion of acceptability to stakeholders in strategic choice is probably of greater significance in the public sector than in the commercial sector (Johnson et al., 2005). Differences are due to ownership and control.

Strategies exhibit differences, which include their clarity, motivational impact, internal consistency, compatibility with the environment, appropriateness in light of resources, degree of risk, and match to the personal values of key figures, time horizon, and workability (Tilles, 1963; Christensen et al., 1978). The differences reflect the strategic management processes adopted by the organizations in formulating the strategies.

Organizations vary in the process they use to formulate and direct their strategic activities (Pearce and Robinson, 2007). The process of strategy formulation should be participatory and include decision makers at all levels for ownership and to benefit from the collective intelligence and group think. On the other hand, planning staff, low-level managers and supervisors should provide the requisite planning data. Top managers must give direction, and finally give approval to the final strategy because of the tremendous impact, on the firm and the large commitment of the firm's resources. They must also coordinate the evaluation and control of the strategy implementation. In large corporations, planning departments, normally headed by persons at the level of deputy chief executive officers lead the process, while top-managers give final approval for strategic action. In medium sized organizations, at least one full time staff member is employed to lead the data collection efforts. Even in

small or less progressive organizations, strategic planning often is spearheaded by an officer or by a group of officers designated as a planning committee (Pearce and Robinson, 2007; Otete, 2006; Bett, 2003). According to Pearce and Robinson (2007) sophisticated planners, such as General Electric, Procter & Gamble, and IBM, have deployed more detailed processes than less-formal planners. Small businesses that rely on strategy formulation skills and limited time of an entrepreneur typically exhibit more basic planning concerns than those of larger firms in their industries. On the other hand, firms with multiple products, markets, or technologies tend to use more complex strategic planning systems (Pearce and Robinson, 2007).

Although various studies have been carried out on the strategic planning practices in Kenyan organizations (Bett 2003, Malusi 2006, Otete 2006), the author is not aware of any that addresses the water service boards. Since strategic planning is context sensitive, strategic planning practices in water service boards is expected to be different compared to that in other organizations.

1.2 Statement of the Problem

Various researchers have demonstrated that there is positive correlation between strategy development process, strategic plans and performance (Ansoff et al., 1970, Herold, 1972; Hax and Majluf, 1986; Nguluu, 2006; Thune and House 1970). Some researchers argue that the relationship between strategic planning and performance is yet to be established conclusively (Greenley, 1986; Mintzberg & Waters, 1982; Mintzberg, et al., 1986; Quinn, 1980), their main argument is hinged on the premise that there exists many competing theories on strategic planning (Barry and Elmes, 1997), however these researchers have only recommended the re-conceptualization of strategic planning process (Mintzberg, 1994; Prahalad & Hamel, 1994).

According to Ansoff (2006), strategy formulation and strategies are context sensitive, which might explain the fact that there are many competing models in strategy development and strategic planning. Mintzberg (1987b) advanced an argument on the various views of strategy, which might offer part of the explanations on the discrepancy between strategic planning and performance. The competence and the commitment of management to strategy formulation and implementation may be inadequate (Karger & Malik, 1975). According to Mintzberg (1987a), like craftsmen, true managers of strategy train themselves to see and to pick up things other people miss, and therefore managers who rely on formal planning to create their strategies lack intimate knowledge of their business or the creativity to do something with it. In practice many well formulated strategic plans are never implemented for various reasons (Barry and Elmes, 1997; Mintzberg and Waters, 1985), and hence these remain only as intentions. Therefore, the finding that properly formulated and implemented strategic plans through strategic management processes is positively correlated to improved performance is valid as long the necessary and sufficient conditions are met.

Chandler (1987) observed that the need for strategic planning arise from recognition that there are rapid changes arising from changes in the operating environment such as demographic technological, and economic environment. In practice, although companies are always formulating and re-formulating strategy, this comes to the fore when they are at cross roads, facing new threats or attractive opportunities (Mintzberg et al., 2003), which implies that in strategic planning, organizations have recognized a tool for survival and long term sustainability. This therefore underpins the importance of strategic planning.

The strategy development process therefore is geared towards generating strategies that enable the organization to 'match' to the operating environment. The benefits of the process accrue from the ownership of the process, formality and contribution in forming the organization perspective. The strategic plans attempts to map the future actions of an organization based on future predictions and certain assumptions, which carry an element of risk. In reality therefore formal strategic planning only give rise to deliberate strategies. Realized strategy is the outcome of both deliberate and emergent strategies (Mintzberg and Waters, 1985). An organization must therefore continuously monitor its environment and adjust its plans accordingly when undesired results are detected to maintain a fit between the operating environment and itself (Ansoff, 2006). This underpins the importance of strategic planning practices in organizations (Pearce and Robinson, 2007; Mintzberg, 1987a; Johnson et al., 2005).

Although various studies have been carried out on the strategy development processes in Kenyan organizations (Bett, 2003; Malusi, 2006; Otete, 2006), the author is not aware of any study that addresses the practices in water services boards. Since strategic development is context sensitive (Mintzberg, 1987a), strategy process in water services boards is expected to be different compared to that in other organizations.

As the operating environment becomes more turbulent and complex, organizations tend to resort to strategic planning as a means of achieving

their objectives and long term sustainability. The issue therefore is; have water service boards done this?

1.3 Objectives of the Study

- i. To establish the strategy development processes by Water Service Boards in Kenya.
- ii. To identify the challenges encountered in development of strategic plans in the water services boards.

1.4 Importance of the Study

The study will provide a holistic view of strategic planning practices in water service boards in Kenya. This will possibly generate new areas of study for the researcher. The study will also draw research attention on water service boards.

The study will provide a deeper understanding for the WSBs and their contribution in strategic planning. By comparing the strategic planning practices and processes, the study will provide pertinent information to policy makers and government in future development of strategic plans in the water service boards.

CHAPTER 2: LITERATURE REVIEW

2.1 *The Concept of Strategy*

A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole (Quin, 1980). A well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competences and short comings, anticipated changes in the environment, and contingent moves by intelligent opponents. According to Andrews (1980) corporate strategy is the pattern of decisions in an organization that defines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving the those goals, and defines the range of business the organization is to pursue, and the kind of economic and non-economic contribution it intends to make to its shareholders, employees, customers, and the communities. It is strategy is a blue print of all the important organizational moves and managerial approaches that are to be taken to achieve organizational objectives and to carry out the organization's mission (Thomson and Strickland, 1989).

In a nutshell therefore, strategy is the multi-dimensional aspect that aligns all the activities, resources and direction of an organization with the operating environment (Hax and Majluf, 1996). Strategy can also be seen as the ultimate management game plan that enables an organization meet its long-term goals and objectives (Thomson et al, 2007). Strategy therefore in concerned with the achievements of objectives and long term survival of the organization. In summary therefore, strategy is the future oriented plans that are made in advance of action, and takes cognizance of the organizations resource capacities and human capabilities.

The essence of strategy is the pattern. It is the unity, coherence, and internal consistency of an organization's strategic decisions that position the organization in its environment and give the firm its identity, its power to mobilize its strengths, and its likelihood of success in the market place. It is

the inter-relationship of a set of goals and policies that crystallize from the formless reality of a company's environment a set of problems an organization can seize upon and solve (Andrews, 1980). By strategy managers mean 'their large-scale, future oriented plan for interacting with the competitive environment to achieve company's objectives, a strategy is a company's 'game plan' (Pearce and Robinson, 2007). The plan is not precise, but provides a framework for managerial decisions. It reflects a company's awareness of how, when, and where it should compete; against whom it should compete; and for what purpose it should compete.

Various researchers have demonstrated that there is positive correlation between strategic planning and performance (Ansoff et al., 1970, Herold, 1972 Nguluu, 2006; Thune and House 1970). Some researchers have argued that the relationship between strategic planning and performance is yet to be established conclusively (Greenley, 1986; Mintzberg & Waters, 1982; Mintzberg et al., 1986; Quinn, 1980), their main argument is hinged on the premise that there exists many competing theories on strategic planning (Barry and Elmes, 1997), however these researchers have only recommended the re-conceptualization strategic planning (Mintzberg, 1994; Prahalad & Hamel, 1994).

According to Ansoff (2006), strategy formulation and strategies are context sensitive, which might explain the fact that there are many competing models in strategic planning. Mintzberg (1987b) advanced an argument on the various views of strategy, which might offer part of the explanations on the discrepancy between strategic planning and performance. The competence and the commitment of management to strategy formulation and implementation may be inadequate (Karger & Malik, 1975). According to Mintzberg (1987a), like craftsmen, true managers of strategy train themselves to see and to pick up things other people miss, and therefore managers who think they can rely on formal planning to create their strategies lack intimate knowledge of their business or the creativity to do something with it. In practice many well formulated strategic plans are never implemented for various reasons (Barry and Elmes, 1997). Therefore, the finding that properly

formulated and implemented strategic plans through strategic management processes are positively correlated to improved performance is valid as long the necessary and sufficient conditions are met.

Chandler (1987) observed that the need for strategic planning arise from recognition that there are rapid changes arising from changes in the operating environment such as demographic technological, & economic environment. In practice, although companies are always formulating and re-formulating strategy, this comes to the fore when they are at cross roads, facing new threats or attractive opportunities (Mintzberg et al., 2002), which implies that in strategic planning, organizations have recognized a tool for survival and long term sustainability. This therefore underpins the importance of strategic planning. The concept of strategy leads to strategic management.

Strategic management is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve an organization's objectives (Pearce and Robinson, 2007). According to Pearce and Robinson (2007), the nine critical tasks of strategic management: formulation of the organization's the vision and mission including broad statements about its purpose, philosophy, and goals; situation analysis that reflects the organization's internal conditions and capabilities; assessment of the organization's external environment, including both the industry and the general contextual factors; analysis of the organization's options by matching its resources with the external environment; identification of the most feasible options by evaluating each option in light of the organization's mission; selection of a set of long-term objectives and grand strategies that will achieve the most desirable options; development of annual objectives and short-term strategies that are compatible with the selected set of long-term objectives and the overall strategies; implementation of the strategic choices by means of budgeted resource allocations in which the matching of tasks, people, structures, technologies, and reward systems is emphasized; and control and evaluation of the success of the strategic process as an input for future decision making, setting strategic objectives; strategic analysis and choice; strategy implementation; and evaluation and control of strategy.

2.2 *The Levels of Strategy*

There are three commonly accepted levels of strategy namely corporate strategy, business strategy and functional strategy (Johnson and et al., 2005). Corporate strategy is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to the different parts of the enterprise (Andrews, 1980). Business unit strategy is about how to compete effectively in a particular market. A strategic business unit is a part of an organization for which there is a distinct external market for goods and services. On the other hand, Functional or operational strategies are concerned with how the components parts of the organization in terms of resources, processes, people and their skills effectively deliver the corporate, and business level strategic direction (Johnson et al., 2005).

However in small firms, which usually has a functional structure the first two levels are merged into one. Corporate level strategies are formulated by corporate level executives (Johnson et al., 2005). They indicate the business in which the firm should be involved. They also set objectives and formulate strategies that span the whole firm. Corporate level strategic managers' attempts to exploit the firm's distinctive competences by adopting a portfolio approach to the management of its business and by developing long-term plans, typically for five years. Decisions at this level are more value oriented, more conceptual, and less concrete than at the other two levels (Pearce and Robinson, 2007). They are characterized by greater risk, costs, and profit potential, greater need for flexibility and generally long-term. These decisions include; choice of business, dividend policy, sources of long term financing, and priorities for growth (Johnson et al., 2005).

Business level strategies translate the statements of direction and intent at the corporate level into concrete objectives and strategies for individual business divisions or strategic business units (SBUs). Decisions at this level implement the overall strategy formed at the corporate level. They involve action oriented

operational issues and are relatively short term and low risk and depend on available resources (Johnson et al., 2005).

Functional level is at the product, geographical and functional areas. These strategies includes annual objectives and short term strategies in such areas as production, operations, research and development, finance and accounting, marketing, and human resources management (Pearce and Robinson, 2007). Their principal objective is to execute or implement the firm's strategic plans. They address such things as efficiency and effectiveness of production, marketing systems, quality of customer service and the success of particular products and services in increasing the firm's market share. Decisions at this level help bridge the decisions at the corporate and functional level (Johnson et al., 2005; Pearce and Robinson, 2007).

2.3 Formality in Strategic Management

Formality in strategic management refers to the degree to which participants, responsibilities, authority, and discretion in decision making are specified (Pearce and Robinson, 2007). The formality in strategic management is usually dictated by size, management style, complexity of the environment, and purpose of the planning system. Small firms follow the entrepreneurial mode of planning and evaluation of strategy tends to be informal (Pearce and Robinson, 2007). Large firms follow the planning mode which is very formal, including the evaluation system. On the other hand, medium sized firms in stable environment follow the adaptive model (Johnson et al., 2005; Pearce and Robinson, 2007).

The process of strategy formulation should include decision makers at all levels (Pearce and Robinson, 2007). On the other hand, planning staff, low-level managers and supervisors should provide the requisite planning data (Pearce and Robinson, 2007). Top managers must give direction, and finally give approval to the final strategy because of the tremendous impact, on the

firm and the large commitment of the firm's resources. They must also coordinate the evaluation and control of the strategy implementation (Andrew, 1980; Pearce and Robinson, 2007; Quin, 1980).

2.4 Views of Strategy Development

Although the word strategy has been used implicitly in different ways, traditionally, it was only defined in only one; however explicit recognition of the divergent definitions is important in understanding strategy (Mintzberg, 1987b). Mintzberg (1987b) proposed five views of strategy, which influence strategy development. These were strategy as a: plan, ploy, pattern, position, and perspective. Barry and Elmes (1997) provided an additional interpretive view of strategy, which is strategy as a form of narrative.

Strategy as a plan deals with how leaders try to establish direction for organizations, to set them on predetermined courses of action Mintzberg (1987b). The traditional and explicit definition of strategy is that of a plan, that is, strategies are made in advance of the actions to which they apply, and they are developed consciously and purposefully (Andrews, 1980; Ansoff, 1984; Boyd, 1991; Porter, 1980; Mintzberg, 1987b). In management, the most widely quoted (Gabriel, 2002; Hax and Majlax, 1986; Mintzberg et al., 2003; Nayak, 2006) definition that reinforces this view states "strategy is a unified, comprehensive, and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization" (Glueck, 1984). As plans, strategies may be general or they can be specific.

As plan, a strategy can be a ploy, which is a specific "maneuver" intended to outwit an opponent or competitor (Mintzberg, 1987b). For example, when corporation threatens to expand plant capacity to discourage a competitor from building a new plant, the real intention is the threat, not the expansion itself, and as such is a ploy. In fact, there is a growing literature in the field of

strategic management, as well as on the general process of bargaining, that views strategy in this way and so focuses attention on its most dynamic and competitive aspects (Mintzberg et al. 2003; Porter, 1980; Schelling, 1980).

Strategy could also be viewed as a pattern in a stream of actions (Mintzberg and Waters, 1985). This view encompasses the resulting behavior from the realized strategies as the plans or ploys. By this definition, strategy is consistency in behavior, whether or not intended. The key issue is plans may go unrealized, while patterns may appear without preconception. Thus if we label the strategy as a plan and as a ploy, as intended strategies and the pattern as realized strategy, then we can distinguish deliberate strategies, where intentions that existed previously were realized, from emergent strategies, where patterns developed in the absence of intentions, or despite them (which went unrealized). Strategies do not exist purely as deliberate strategies or as emergent strategies, but rather in the continuum between the two due to interference associated with lack of precision in details, and environmental turbulence (Mintzberg 1987b). Thus Mintzberg and Waters (1985) proposed eight distinct phases of strategy. These were: planned strategy; entrepreneurial strategy; ideological strategy; process strategy; disconnected strategy; consensus strategy; and imposed strategy (Mintzberg and Waters, 1985).

In planned strategy, highly deliberate strategies are formulated and articulated by a central leadership, complete with formal controls in an environment that assumed, controllable, or predictable. Entrepreneurial strategy exists as the personal, unarticulated vision of a single leader, and so are adaptable to new opportunities; these strategies are relatively deliberate but can emerge too. In the case of ideological strategy intentions exist as the collective vision of all the members of the organization, controlled through strong shared norms; the organization is often proactive vis-à-vis its environment; these strategies are rather deliberate (Mintzberg et al., 2003). In umbrella strategy, leadership in partial control of organizational actions, that is the leadership purposefully allows others the flexibility to maneuver and form patterns within the set boundaries. In process strategy, the leadership controls the process aspects

of strategy leaving the actual content of strategy to others. In disconnected strategy members or sub-units loosely coupled to the rest of the organization produce patterns in the streams of their own actions in the absence of, or in direct contradiction to the central or common intentions of the organization at large; the strategies can be deliberate for those who make them. In consensus strategy, through mutual adjustment, various members converge on patterns that pervade the organization in the absence of central or common intentions; these strategies are rather emergent in nature. Finally, in the case of imposed strategy: The external environment dictates patterns in actions, thus these strategies are organizationally emergent, although they may be internalized and made deliberate (Mintzberg and Waters, 1985).

Strategy can also be viewed a position, that is a means of locating an organization, the mediating force creating a match between the organization and environment according to Mintzberg et al. (2003). This view of strategy looks out, seeking to locate the organization in the external environment, and down to concrete positions. As a position, strategy is creating situations for economic returns and finding ways to sustain them" (Rumelt, 1982), that is, any viable position, whether or not directly competitive, which may include mergers, partnerships and alliances with competitors or otherwise (Astley and Fombrun, 1983).

Strategy as a perspective looks inside the organization, but up to a broader view. The content of strategy consist not just a chosen position, but an ingrained way of perceiving the world. There are organizations that favor marketing and build a whole ideology around that. Strategy in this respect is distinct and integrated commitments to ways of acting and responding" that are built right into it (Mintzberg, 1987b). This view suggests above all that strategy is a concept, which implies that all strategies are abstractions which exist only in the minds of interested parties. Of key importance about this view, however, is that strategy is a perspective shared by the members of an organization, through their intentions and/or by their actions (Mintzberg et al., 2003).

Barry and Elmes (1997) provided an additional interpretive view of strategy, which is strategy as a form of narrative. Through this approach, Barry and Elmes (1997) observed that 'narrativity' emphasizes the simultaneous presence of multiple, interlinked realities, and thus well positioned for capturing the diversity and complexity present in strategic discourse. They likened strategy as a story told in organizations. In contrast, a narrative view of strategy stresses how language is used to construct meaning; consequently, it explores ways in which organizational stakeholders create a discourse of direction (whether about becoming, being, or having been) to understand and influence one another's' actions. Whereas traditional strategy frameworks virtually ignore the role of language in strategic decision making, a narrative approach assumes that telling of strategy fundamentally influence strategic choice and action, often in unconscious ways (Barry and Elmes, 1997). This view of strategy is more focuses more on the communication mode of strategy rather than strategy a distinct view of strategy. It is also instructive to note that this view has not been quoted in the any of the literature reviewed, which implies that this view was not considered a new view by other scholars of strategy and related fields. Narrativity will therefore not be considered as an independent view in this study.

As discussed above, Mintzberg et al., (2003) suggested that strategy as both position and perspective can be compatible with strategy as plan and/or pattern. But the concept of emergent strategy is that a pattern can emerge and be recognized so that it gives rise to a formal plan, perhaps within an overall perspective. On the other hand perspective may arise probably through earlier experiences: the organization tried various things in its formative years and gradually consolidated a perspective around what worked. Thus pattern can give rise to perspective too, and so can position (Mintzberg, 1987b). No matter how they appear, however, there is reason to believe that while plans and positions may be dispensable, perspectives once established, perspectives become difficult to change (Brunsson, 1982). When perspective become so deeply ingrained in the behavior of an organization that the associated beliefs become subconscious in the minds of its members, then perspective look more like pattern than like plan that is it can be found

more in the consistency of behaviors than in the articulation of intentions Mintzberg et al, (2003).

Mintzberg et al. (2003) argues that planned strategies focus on control and tend to be rigid, while emergent strategies are based on organization learning, thus the process of emergent strategy is continuous, resulting in the emergence of a pattern, in the long run, which then becomes the strategy.

In this study, the planned or rational view of strategy was used.

2.5 Formulation of Strategy

Corporate strategy is an organization process, in many ways inseparable from the structure, behavior, and culture of the company in which it takes place. This may be separated into two inter-related processes: formulation, implementation and control and evaluation (Andrew, 1980; Pearce and Robinson, 2007). Deciding on strategy may be taken as a rational undertaking, also sometimes emotional attachments, which tends to complicate choice among future alternatives (Andrew, 1980; Pearce and Robinson, 2007).

The principal sub-activities in strategy formulation include: identifying opportunities and threats in the company's environment; attaching some estimate of risk to the discernible alternatives; appraisal of resources on hand and available; and objective estimation of actual or potential capacity to take advantage of perceived market needs or cope with attendant risks (Andrew, 1980; Johnson et al., 2005; Pearce and Robinson, 2007). This is the rational or analytical view (Andrew, 1980; Mintzberg, 1987b).

The determination of strategy also requires consideration of what alternatives are preferred by the CEO and immediate associates. Personal values, aspirations, and ideals do, and should influence the final choice of purposes. I.e. what the CEOs of an organization want must be brought into the strategic

decision (Andrew, 1980; Mintzberg, 1987b; Pearce and Robinson, 2007; Quin, 1980). According to Mintzberg (1987a), the kind of knowledge involved in strategic thinking is not intellectual knowledge, not analytical reports or abstracted facts and figures (though these can certainly help), but personal knowledge, intimate understanding, equivalent to the craftsman's feel for the clay. Facts are available to anyone; this kind of knowledge is not. Wisdom is the word that captures it best. Like craftsmen, true managers of strategy train themselves to see, to pick up things other people miss. Managers who think they can rely on formal planning to create their strategies lack intimate knowledge of their business or the creativity to do something with it. The observation by Mintzberg (1987a) emphasizes the role of the CEO in strategy formulation. A study of Boston Consulting Group on why the British lost the American motorcycle market to Japanese concluded that : ' an openness to learning and a fierce commitment to an organization and its market may count more in strategy making than all the brilliant analysis one can imagine.' Mintzberg et al., which explains the complex nature of strategy formulation.

Finally strategic choice has an ethical aspect that is; strategies must be examined against the standards of responsiveness to the expectations of society that the strategists elect. In other words, some strategies are better than others when the public good is considered. What the organization should do thus appears as a fourth element of the strategic decision.

According to Mintzberg (1987a) strategy the blue print of all the important organizational moves and managerial approaches that are to be taken to achieve organizational objectives and to carry out the organization's mission. The way in which distinctive competences, organizational resources, and organizational values are combined is and should be unique for each organization and each situation (Andrews, 1980). This emphasizes that a strategy is context sensitive. This may explain when strategic planning practices differs from industry to industry.

Adegbite (1986) studying companies quoted in the Nigerian stock exchange found that the responsibility of strategic planning lay with the CEO and the

Board. Bett (2003) who studied strategic planning practices among the tea companies in Kenya found that strategic planning practices was less than two years old, which coincided with increase in environmental turbulence and complexity in the tea industry which was consistent with studies in other industries.

A study of American mergers and acquisitions found that deliberate pre-planning of acquisition strategy produces better performance than unplanned, opportunistic, adaptive approach (Ansoff et al., 1970). The findings were consistent with others: Kang'oro (1998) and Bett (2003), which found that most firms in Kenya practiced strategic management to align themselves to the changing environment. However strategies do not always work (Campbell and Marcus, 1997), due to many reasons such as poor environmental analysis.

Otete (2006) who carried out a comparative study of strategic planning practices in the public versus private sectors in Kenya found that formal strategic planning was practiced in both the private and public sectors. According to the report, the government and economic factors had the main influence in the process. In the government, the planning was top-bottom, and very bureaucratic, which affected performance. Poor pay and communication also contributed.

The strategy formulation process, which is context sensitive, is fundamental to the success of strategic management. It is for this reason that this study was designed.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 *Research Design*

The research study, which aimed at establishing the strategy development processes and associated challenges in water services boards in Kenya. The study was undertaken through a descriptive study design since the study aimed at finding out who participated in strategy development, how the strategies were developed, what considerations were made and who participated (Coopers and Schindler, 2006; Emory, 1985; Frankfort-Nachmias and Nachmias, 2004). The descriptive study focused on generating detailed information regarding the key aspects through key investigative questions on strategy development processes.

Data collection was through the communication based approaches using a structured questionnaire. In data collection the '*ex-post facto*' design was adopted, and therefore the researcher shall have no control over the variables in the sense of being able to manipulate them (Coopers and Schindler, 2006; Emory, 1985).

The researcher collected primary data from the field through a cross-sectional study in the form of a census survey among all the eight water service boards existing at August 31st, 2008, the time of the study. The main advantage of cross-sectional design is that it may be undertaken in natural settings and permit researchers to employ random probability samples. The researcher can therefore make statistical inferences to larger populations and allow them to generalize findings to real life situations and hence increase the external validity of the study. It also allows the researcher to collect data on many variables, from a large number of subjects and from dispersed subjects. This research design type also has several disadvantages namely, increased chances of error, increased costs with more subjects and with each location, it cannot measure change and establish cause and effect, there is no control of

the independent variable, it is difficult to rule out rival hypotheses and lastly it is static and time bound (Coopers and Schindler, 2006; Frankfort-Nachmias and Nachmias, 2004). To reduce the most important disadvantage for this study, that is increased chances of error and since the population of study is small, the researcher conducted interviews with the respondents to verify any contentious information.

Although there is various view of strategy development (Barry and Elmes, 1997; Mintzberg, 1987b), this study was limited to the rational or analytical view of strategy development.

3.2 Population of Study

The population was all water service boards in Kenya licensed under section 51 of the Water Act 2002 as at 31st August 2008 the time of this study. All the water service boards were to be studied; hence this was designed as a census survey. According to WASREB (2008), these WSBs were eight (see appendix I). A census survey was undertaken since the population was small, accessible, and highly variable in terms of geographical area of coverage (Coopers and Schindler, 2006; Emory, 1985).

3.3 Data Collection

Primary data which is quantitative was to be collected from all eight service boards using a structured questionnaire which was designed by the researcher (see appendix III). The structured questionnaire is an efficient data collection mechanism particularly in quantitative analysis since each respondent is asked to respond to the same set of questions. The questionnaire was delivered and returned electronically using e-mail to respondents who were expected to return them through email or post after completion. Some of the advantages of the mail questionnaire include the fact that it provides a high degree of anonymity, keeps the costs low and reduce

the biasing error because the respondents are not influenced by the interviewers' characteristics or techniques. The mail questionnaire also allows considered answers and allow for consultation since the respondents have time to think through their answers. The major disadvantage of the mail is that they require simple and easily understood given instructions, and that they do not offer researchers the opportunity to probe for additional information or to clarify answers. Further more, there is no control over who fills out the questionnaire, and normally record low response rate, and suffer from sequence bias (Coopers and Schindler, 2006; Cothari, 2000; Emory, 1985; Cresswell, 2003; Polonsky and Waller, 2006; Saunders et al., 2003; Walliman, 2001).

The disadvantages of the mail questionnaire were addressed through the design of the questionnaire, and follow-up with the respondents. In questionnaire design, the research objectives were translated into specific questions the respondents could answer. In particular the following issues were considered carefully: the relevance of the type of questions asked in terms of the research objective; the form and wording of the questions that best suits the research objectives i.e. whether to adopt open - ended questions or close ended questions; and the choice of words to ensure that the wording of the questionnaire was simple, direct, unambiguous and unbiased. Care was taken to ensure that the questionnaire motivated the respondent to cooperate with the survey and to correctly furnish the information. The design therefore considered the content of individual questions, simplicity, sequencing, layout and reproduction. The first draft questionnaire was pre-tested in the field by the researcher, and the results were used to produce the final copy of the questionnaire. These approaches significantly reduce the disadvantages associated with mail questionnaires (Coopers and Schindler, 2006; Cothari, 2000; Emory, 1985; Cresswell, 2003; Frankfort-Nachmias and Nachmias, 2004; Polonsky and Waller, 2006; Walliman, 2001).

The designed questionnaire had the following sections: A - profile of the respondent; B – Profile of the organization; C – Vision and Mission

Statements; D – Objectives and their Setting; E – Operational Plans; and F – Strategic Planning. To improve on the response rate, quality of information, and to obtain in-depth information on the subject matter, the researcher followed up with telephone calls and visited as appropriate to conduct structured interviews.

The information required is strategic in nature therefore; senior managers of the WSBs, who are decision makers and who would ordinarily be expected to be involved in strategy formulation were surveyed. In the context of the WSBs, the most appropriate respondent shall be the chief executive officer or the finance director.

3.4 Data Analysis

Data analysis involves reducing accumulated data to manageable size, developing summaries, looking for patterns, and applying statistical analysis techniques. Data was categorized, ordered, manipulated and summarized to obtain answers to the research questions (Coopers and Schindler, 2006; Cothari, 2000; Emory, 1985). The process involved data preparation and undertaking descriptive analysis.

Data preparation included cleaning and organizing data for analysis. This included receiving of the questionnaires, editing the information contained in these research instruments and coding. Editing, both at the field at a central place in Nairobi was carried out to detect errors and omissions, and to correct them when possible. This guaranteed data accuracy, consistency, uniformity, completeness, and orderliness. Coding which involves assigning numbers (numeric) or numbers with other symbols (alphanumeric) to answers so that the responses can be grouped into limited number of classes or categories was undertaken. Coding allowed data entry into a computer to enable manipulation for statistical analysis (Coopers and Schindler, 2006; Cothari, 2000; Frankfort-Nachmias and Nachmias, 2004).

A computer based data structure using statistical package for social sciences (SPSS) was developed. Data was transformed into the SPSS computer based software through the keyboard interface. The computer based data was then manipulated using SPSS software to produce descriptive statistics (Coopers and Schindler, 2006; Frankfort-Nachmias and Nachmias, 2004).

Descriptive population parameters such as measures of distribution and measures of central tendency were determined as appropriate. The descriptive statistics were utilized in describing the basic features of the data in the study. Univariate analysis and bivariate analysis was undertaken. Univariate analysis involved the examination of variables by themselves. Bivariate analysis through cross tabulation, was also undertaken with a view of obtaining relationships which may be of greater interest to the study (Coopers and Schindler, 2006; Cothari, 2000; Emory, 1985; Cresswell, 2003; Frankfort-Nachmias and Nachmias, 2004; Polonsky and Waller, 2006; Walliman, 2001).

Analyzed data was interpreted in line with the research questions and objectives, and conclusions drawn.

CHAPTER 4: FINDINGS AND DISCUSSIONS

4.1 *Profile of Water Services Board*

Water services boards are government corporations which were established under the Water Act 2002. The whole country is divided into eight regions with each region covered by a water services board for water and sewerage services provision (see appendix I). The first six WSBs were established under section 51 of the Water Act 2002 through a gazette notice in March 2003 and licensed by the Water Services Regulatory Board (WASREB) in April 2004. The seventh one, Northern WSB was established less than three years ago, while the eighth WSB, Tanathi, which was carved out of Tana and Athi WSBs was established in June 2008. The Boards have the legal mandate for the provision of water and sewerage services within their areas of jurisdiction. The roles and responsibilities of the WSBs are: efficient and economical provision of water services; developing water and sewer facilities, investment planning and implementation; rehabilitation and replacement of the infrastructure; applying regulations on water services and tariffs; procuring and leasing water and sewerage facilities; contracting water service providers (GoK, 2007a). As part of the devolvement of water and sewerage services, the Minister for Water and Irrigation published Legal Notice no. 10 of August 12th, 2005 'The water (Plan of Transfers of Water Services) rules, 2005'. The rules, which became effective on July 1st, 2005 were to govern the transfer of function of the management and operation of the water services to the WSBs through the three year transitional period commencing July 1st 2006 to June 30th 2009.

The WSBs are expected to ensure efficiency and sustainability in the provision of water and sewerage services. The WSBs execute their mandate through water service providers (WSPs). The WSPs are entities which are appointed by WSBs as agents for water and sewerage services provision in specific areas in the WSBs area of jurisdiction. The relationship between the WSB and WSP is through a Service Provision Agreement (SPA) entered into by the two bodies, and registered by the Water Services Regulatory Board.

The WSPs are in three categories namely; urban (limited liability companies/trusts); water user associations/community based organizations; and private WSPs such as NGOs and private organizations. Through the survey, it was established that as at October 31st, 2008, the recognised WSPs in Category I (Urban) were 77 (17.8%), in Category II (WUAs/CBOs) were 352 (81.5%), and in Category III (private) were 3 (0.7%) all totalling to 432 WSPs in the country (see annex I). The survey revealed that the number of private WSPs at 0.7% was insignificant, and actually occurred in only 25% of the WSBs. The importance of private WSPs need not be over emphasised, therefore the causes for this low participation may need to be investigated in order to develop appropriate strategies to redress the situation.

Under the Water Act 2002, the WSBs are the asset-holders for all the assets that were previously developed by the government and the local authorities. The WSPs who utilize the assets held by WSBs do so through a lease agreement. Under the current arrangement, WSPs who utilize assets held by WSBs pay to the WSBs on average a monthly lease fee of 10% of the gross revenue from water and sewerage services, out of which 1% is paid to WASREB. Where the assets now being utilized by the WSB were owned by local authorities before the Water Act 2002 became effective, WSBs pays 4% of the lease fee to the local authorities. In this case, the WSB retains only 5% of the revenue from that particular WSP. However it should be noted that these percentages were made as provisions to assist in making the Act operational. In the medium and long term, the WSBs are expected to base the lease fees on the actual value of their assets, determined through a valuation exercise. The current financing arrangement for WSBs is planned to be on average about 75% of the budget from lease fees, 5% from GoK, and 20% from development partners. However, the study established that not all WSBs can raise 75% of their budget from lease fees.

The WSBs are charged with the responsibility of development and expansion of the water supply and sewerage services infrastructure, which is designed to enable them discharge their mandate. On the other hand, WSPs who lease these assets are expected to operate and maintain the distribution pipeline

network as specified in the service provision agreement (SPA). For example, Nairobi City Water and Sewerage Company (NCWSC) have an SPA with Athi WSB. Under this the current SPA, NCWSC is responsible for maintaining all water supply pipelines of sizes up to 300 mm diameter for lengths not exceeding 6 meters, and sewer pipelines of size up to 450 mm diameter and for lengths not exceeding 4 meters. For more extensive repairs beyond this provision, the NCWSC is expected to report to AWSB, who can either repair the pipelines or authorize the NCWSC to repair under a clause in the SPA referred to as 'delegated works' in which case, the AWSB is expected to refund the amount spent for the delegated repair and maintenance works. According to information available, this clause of 'delegated works' is very contentious in implementation, and therefore may require to be reviewed with a view of making the provision for repair and maintenance of water and sewerage systems more strategic.

This study was able to cover all the eight WSBs currently licensed to operate in Kenya. In 62.5% of the WSBs, the respondents were the CEOs, while in other 37.5%, senior managers who were decision makers and participate in strategic planning, were the respondents while CEOs verified the information provided.

According to the survey, the policy making body for these WSBs was a board of directors. 62.5% of the boards had 11 non-directors, 12.5% each had seven, 10 and 12 non-executive directors respectively. In 87.5% of the WSBs, three of the non-executive directors were government representatives from the ministries in-charge of water and irrigation, local authorities and finance. In the WSBs with 11 non-executive directors the non-executive directors who represent the government constitute 27.3%, while on the extreme end, in the WSBs with seven directors, they constitute 42.9%. In 62.5% of the WSBs, the only members of management who were also members of the board of directors was the CEO, while the company secretary attended as an ex-official by virtue of his or her position as the secretary to the board. In the other 37.5% of WSBs, between 1 and 5 members of the management were co-opted as board members. In all the WSBs, the Board members were

appointed by the minister in-charge of water and irrigation, however the Chairman of the Board was appointed by the President of Kenya on recommendations from the Minister. The composition of the board of directors implied that the board of directors was fairly independent of management in their oversight roles in the WSBs.

The survey revealed that all the boards had functional structures where the management was headed by a C.E.O, who reports to and is a member of the board of directors. The CEOs are recruited by the Board of Directors through competitive selection processes. The Board of Directors identifies three possible candidates, out of which the Minister in-charge of water selects one, who is then appointed by the Board of Directors as the CEO. The CEO is normally engaged on a three-year performance based contract. The recruitment process and remuneration for the CEO ensured strong chances of engagement of highly competent CEOs.

In 75% of the water services boards, 80% and above of the established staff positions were substantially filled, compared to 25% of the WSBs which had only 50% and above, but less than 80% of the required human resource according to the study. The WSBs being new initially operated with staff seconded from the Ministry in-charge of water and from state corporations in the ministry that existed before the Water Act 2002 in line with the water rules, 2005. The WSBs have since been recruiting competitively from the market.

According to the study 75% of the water services boards were licensed to operate over three years but less than four years ago, while 12.5% were licensed one and above, but less than three years ago, and 12.5% less than one year ago. The WSBs have been operational in the water and sewerage services since establishment. The 62.5% of the boards have a population of 5 million and above in their areas of jurisdictions, while 37.5% of the WSBs cover a population of 3 million and above but below 5 million.

In terms of water service coverage, 25% of WSBs cover 50% and above, but less than 70% of the population under their respective areas of jurisdiction.

62.5% cover 30% and above, but less than 50%, while 12.5% cover 10% and above, but less than 30%. In terms of sewerage services coverage, 12.5% of WSBs cover 30% and above, but less than 50% of the population under their respective areas of jurisdiction. 50% cover 10% and above, but less than 30%, while 37.5% cover under 10%. Water and sanitation services are basic human rights, therefore coverage should be 100%, this implies that the situation obtaining in Kenya is adverse, hence the need for strategic management of the WSBs make deliberate positive progress towards these objectives. The WSBs, having the relevant legal mandate must therefore practice appropriate strategy development processes, and strategic planning practices at this early stage in their existence to develop a clear road map that will help Kenya meet its obligation to the citizens of availing adequate water and sanitation services to all citizens all year round as part of the basic human rights.

According to the study, only 37.5% of the WSBs are able to achieve financing of above 70% of their annual budgets for the last three years from all the existing sources, while 25% manage above 10% and above, but less than 30%. This implies that at least 25% of the WSBs may not be able to meet their goals in the short and medium term. There is therefore need to determine the cause of this low access to financial resources to assist in developing adequate strategies to address the challenge.

During this study, the researcher also explored the opinion of the WSBs regarding the key success factors in water and sewerage sub-sector, as provided in table 1. According to the study, the respondents strongly agreed that the key success factors ranked in order of the weighted average means were; development, operation and maintenance of the water and sewerage services infrastructure; development of adequate physical infrastructure for water and sewerage services; and management style of top managers of the WSB. It was curious to note that although Kenya with a per capita water availability of 647 cubic metres per annum, which is far below the minimum of 1000 cubic metres as per the UN, and have regularly recurring drought, availability of adequate water was ranked in the fifth position as in the key

success factors. Another curious observation was the ranking of 'enhanced regulation of WSPs' in position 5 in the key success factors, yet the 8 WSBs can only deliver services through registered WSPs which are currently 432, as detailed in appendix 1.

Table 1: The ranked key success factors in water and sewerage services

Key Success Factors	Mean*
Operation and maintenance of physical infrastructure for service delivery	5.00
Development of adequate physical infrastructure for water and sewerage services delivery	4.88
Management style of the top managers of the WSB	4.88
Working public private sector partnership	4.86
Availability of adequate water sources	4.63
Commercialization of Water Service providers/ Water utilities	4.63
Continued financing of expansion of service coverage by the government	4.63
Enhanced regulation of Water Service Providers/ Water utilities	4.38
Commercialization of Water Service Boards with the government meeting the cost of service to the poor	4.62

Source: Questionnaire

* The mean is a weighted average of the responses from a five-point Likert scale with score 5 assigned 'strongly agree' and score 1 assigned 'strongly disagree'

4.2 Vision and Mission Statements

Although all the boards studied had a vision and mission statement that was formally written and implemented, the mission statement was conceived by different groups in various WSBs. as seen in table 2.

Table 2: Key participants in conception of the mission statement

Participants	Frequency	Percent (%)
Board of Directors	1	12.5
Senior managers together with the CEO	4	50.0
Board members and management with external consultants	1	12.5
Members of the Board and senior management	1	12.5
All staff	1	12.5
Total	8	100.0

Source: Questionnaire

From table 2, it is clear that in 87.5% of the WSBs, the process of formulation of the mission statement involved senior managers and the CEO. The involvement of senior managers and the CEO is very important for ownership of the mission, and in ensuring a common understanding of the rationale behind the objectives and strategies adopted by management. According to Pearce and Robinson (2007), this process of mission formulation benefits from the power of group think and ensures the best alternative emerges through taping the collective intelligence of the participants. In 37.5%, the members of the board of directors were involved in the formulation of the mission statement. The advantage of this approach is that the management is able to develop the strategic plans in line with the aspirations of the board of directors, and hence enable faster approval when complete. According to the study, the researcher found that in 12.5% of the WSBs, an external consultant facilitated the process of formulation of the mission statement, which is beneficial in presentation of the mission statement in a professional format.

Table 3: Emphasis placed on the mission statement

Emphasis	Frequency	Percent (%)
Strong	2	25
Very strong	6	75
Total	8	100

Source: Questionnaire

The research established that in all the WSBs, the mission was implemented immediately after it was formulated, and that there was very strong emphasis placed on the mission statement, as seen in table 3. This is can be attributed to the process used to formulate the mission statement, which must have generated strong ownership in the participants, and motivation to share with other staff.

4.3 Objectives and their Setting

The researcher established that all the water services boards had set objectives which were formally written.

Table 4: Key participants in objectives setting

Participants	Frequency	Percent (%)
Members of the Board of Directors	2	25.0
Chief Executive Officer	2	25.0
Senior managers together with the CEO	2	25.0
All staff	1	12.5
Members of the Board and Management	1	12.5
Total	8	100.0

Source: Questionnaire

On who sets the objectives, the research received varied responses as seen in table 4. In 75% of the WSBs, the senior management and the CEO were involved. This is critical for the success of the implementation. In 37.5% of the WSBs, the members of the board of directors were involved in the process. The involvement of the board of directors was good in providing the management with concrete performance targets, and further elaboration of their expectations which enabled management develop appropriate strategies with higher precision.

Table 5: Awareness of the objectives among employees

Management level	Mean*
Top	4.88
Middle	4.13
Supervisory	3.63
Others	2.87

Source: Questionnaire

* The mean is a weighted average of the responses from a five-point Likert scale with score 5 assigned 'very high' and score 1 assigned 'not aware'

The research also established that the level of awareness on the objectives was very high among the top management, high amongst the middle level management and the supervisors, while it was only slightly high amongst others cadres of staff, as seen in table 5. This generally agrees with findings on who participated in objectives setting.

Operational Plans

Operational plans detail specific activities and allow fairly accurate allocation of resources hence their importance in any organization. According to the study, the researcher established that all the WSBs develop operational plans which are formally documented. Table 6 shows how long ago the operational plans were first developed in the WSBs. The researcher established that each of the WSBs developed their first operational plans soon after they were formed.

Table 6: Age of the first operational plans developed in the WSB

Duration	Frequency	Percent (%)
Less than 1 year	1	12.5
1 year and above but less than 3 years	1	12.5
3 years and above	6	75.0
Total	8	100.0

Source: Questionnaire

According to the findings in this study, all WSBs regularly review their operational plans, but the review cycle varies.

Table 7: Cycle of review of the operational plans

Duration of Cycle	Frequency	Percent (%)
Every Quarter	5	62.5
Annually	3	37.5
Total	6	100.0

Source: Questionnaire

According to the study, 62.5% of the WSBs review their operation plans on a quarterly basis, while 37.5% do it annually, as seen in table 7.

Table 8: Key participants in the development of operational plans

Participants	Frequency	Percent (%)
Members of the board of directors	1	12.5
Senior managers together with the CEO	6	75.0
All staff	1	12.5
Total	8	100.0

Source: Questionnaire

According to the study, in 87.5% of WSBs, the senior managers and the CEOs are involved in the development of the operational plans as seen in table 8. In 12.5% of the WSBs, it was noted that all staff participates and

therefore it is easy to generate synergies, which is good for ownership and smooth implementation of the operational plans, however if the development of the operational plans take long, then the operations of the organization may suffer adversely.

The study established that in all the WSBs the operational planning processes had the following features: annual budget for planning; formal planning meetings; a timetable for preparation of operational plans; and well defined responsibility for planning. On the other hand, only 62.5% of the WSBs had informal planning sessions and a planning department respectively. From the study therefore the WSBs adopt a process based operational planning, but the existence of planning departments was not common.

4.5 Strategic Plans

Strategic plans formulated with a rational view detail the road that an organization has chosen to achieve its purpose of existence and for long term sustainability. The study revealed that all WSBs had formally documented strategies formulated through a rational or analytical view. The study revealed that the initial strategic plans were formulated immediately after the establishment of the WSBs which implies that there was a strong desire to adopt strategic management process right from the on-set. In all these WSBs, the board of directors was responsible for approval of the strategic plans.

In 62.5%, the current strategic plans covered a five-year, 25% a three-year and 12.5% a ten-year duration respectively, as seen in see table 9. During the study, the researcher found that in 62.5% of the WSBs the strategies had not changed over time, while in 12.5% of the WSBs, the strategies had just been developed. In 25% of the WSBs, the strategies had changed over time to match with the operating environment. In the WSBs where the strategic plans had changed, the researcher found that the initial strategic plans, popularly referred to as 'transitional' strategic plans, were for one-year duration, and

focused mainly on the establishment of the WSBs compared to service delivery. The researcher found that in the WSBs where the strategies had changed over time, ones the WSBs were establishment with key personnel in place, these WSBs then engaged in the process of strategy development with the main focus being service delivery and sustainability in the medium and long-term.

Table 9: Duration covered by the current strategic plans

Duration	Frequency	Percent (%)
3 years	2	25.0
5 years	5	62.5
10 years	1	12.5
Total	8	100.0

Source: Questionnaire

According to findings in the study, 87.5% of the WSBs did not intend to change the current strategies over time. Only 12.5% of the WSBs correctly indicated that they planned to change their strategies to match the operating environment and resources availability. These WSBs which intended to change their strategies and the reasons advanced for the need to change implied good understanding of strategy development process.

In 75% of the WSBs, the strategies were developed by a committee of senior managers including the CEO with the facilitation of an external consultant, as seen in table 10. A professional external facilitator assists the management in rationalizing the strategies developed, and in presentation of the strategies in a standard format, therefore this approach is a 'best practice' in strategy development (Pearce and Robinson, 2007).

Table 10: Key participants in strategy development

Participants	Frequency	Percent (%)
Members of the Board of Directors	1	12.5
Committee of senior managers with an external facilitator	6	75.0
Committee of senior managers with an internal facilitator	1	12.5
Total	8	100.0

Source: Questionnaire

According to the survey, the mean score for the features that characterized the strategic planning process was 1, as seen in table 11. This implied that the features that characterized the process of strategy formulation process were standard and acceptable (Pearce and Robinson, 2007).

Table 11: Features that characterized the strategic planning process

Characteristics	Mean*
Formal planning meetings	1.00
Timetable for preparation of strategic plans	1.00
Well defined responsibility for planning	1.00
Alternative arrangements made for carrying out of the duties for those involved in planning	1.00
Adequate resources set aside for planning	1.00
All decision makers in the management involved in planning	1.00

Source: Questionnaire

* The mean is a weighted average of the responses from a two point scale with score 1 assigned 'yes' and score 2 assigned 'no'

According to the survey, only 50% of the WSBs undertook general external environment and water and sewerage services sub-sector analysis respectively. The study also established that 75% of the WSBs regularly analyzed the water sector reports. On the other hand, only 12.5% of the WSBs undertook competitor analysis. In all these cases, the analysis was undertaken by a select committee made up of senior managers and the CEO facilitated by an external consultant. The WSBs that undertook general and industry analysis demonstrated a clear understanding of the strategy development process (Andrews, 1980; Ansoff, 2006; Ansoff and McDonnell, 2002; Pearce and Robinson, 2007).

The study established that only 12.5% of the WSBs undertook competitor analysis. The process of competitor analysis was conducted by a select planning committee of senior managers assisted by an external consultant. Competitor analysis is of paramount importance not only in private firms (Ansoff, 2006; Barney, 1991; Hays et al., 1996; Porter, 1980; Thompson et al., 2007) but also in state corporations such as the WSBs (Johnson et al., Koske 2003; Malusi, 2006; Otete, 2003).

According to findings of this study, it was established that all the WSBs undertook SWOT analysis as a major activity during the strategy development process. In 75% of the WSBs, this was undertaken by a select committee of senior managers with the facilitation of an external consultant, which was a best practice (Pearce and Robinson, 2007). In 12.5% of the WSBs, the SWOT analysis was conducted by senior managers and the CEO, while in the rest 12.5%, by an external consultant. Table 12 details those who participated in the process.

Table 12: Key participants in SWOT analysis

Participants	Frequency	Percent (%)
Senior managers together with the CEO	1	12.5
Select planning committee of senior managers assisted by an external consultant	6	75.0
External consultants	1	12.5
Total	8	100.0

Source: Questionnaire

The fact the 50% WSBs do not undertake general external environment, and water sub-sector and respectively may be borne out of the fact the government has developed very detailed water services strategies (GoK, 2007a), including SMART objectives to be achieved by the WSBs. Further the fact that 75% of the WSBs regularly analyzed the water and sewerage services sub-sector reports may have discouraged them from undertaking a thorough water and sewerage services sub-sector analysis. However, despite of these, a thorough environmental analysis would still be necessary to contextualize these broad strategies set by the government in line with the operating environment and the resources at the disposal of the WSB, and to generate a baseline data on which to measure achievements.

According to the findings from those WSBs that conducted competitor analysis, the major competitors in order of decreasing importance for the WSBs were other WSBs followed by private developers of physical infrastructure for water supply. These findings were in-line with the observations by Johnson et al. (2006), who identified found that for state

corporations, they face competition from other state corporations, mainly for resource allocation, and must therefore demonstrate value for money, to continue attracting financial support from the government and gain social capital in society. The identification of private WSPs as competitors, yet WSBs are the appointing bodies for WSPs may be partly explain the findings that only 0.7% of private WSPs are licensed to operate in the whole country, and that the WSBs do not recognize enhanced regulation of the WSPs as a key success factor. However more research is required to establish the main all the reasons for these findings regarding the WSPs.

The researcher obtained data on the opinion of the WSBs on key steps in the strategy development processes. According to the study, the weighted average means for all the steps except for competitor analysis lay between 4 – 'very important' and 5 - 'extremely important'. However for competitor analysis, the weighted mean score was 2 – 'moderately important'. Ranking steps in order of decreasing importance in the opinion of the WSBs revealed that their major efforts are concentrated in: formulating the mission statements; selection of long-term objectives and grand strategies; SWOT analysis; option identification and analysis; and developing annual objectives and short-term strategies. On the other hand, among the important activities, budgeting for resource allocations and assessing the industry's environmental factors were on the bottom of the pile, as seen in table 13. Competitor analysis was ranked only as moderately important, which is in line with findings that the only 12.5% of the WSBs undertake competitor analysis.

The opinion of the WSBs' regarding the influence of key factors to the strategies during the formulation was also investigated. The weighted average mean for most of the factors lay between 4 (strong influence) and 5 (very strong influence). However for 'political' factor the score was 3.88, which could also be rounded to 4 without loss of generality. Through the study, it was established that the most important factors were water and sewerage services delivery and financial resources availability in that order of decreasing importance. On the other hand, the study established that political influence was the least among the factors investigated, as seen in table 14.

Table 13: Importance attributed to steps in the strategy development

Important steps in strategy development process	Mean*
Formulating the organization's mission, including broad statements about purpose, philosophy and goals	5.00
Selection of long-term objectives and grand strategies	4.88
SWOT Analysis	4.75
Developing the organization profile that reflects its internal conditions and capabilities	4.63
Identification of the most desirable options through evaluation of each option in light of the organization's mission.	4.63
Developing annual objectives and short-term strategies	4.63
Developing short-term action plans	4.50
Evaluation of the success of the strategic process as an input for future decision making.	4.50
Analyzing the organization's options by matching its resources with the external environment	4.38
Assessing the organization's general external environment, including the general contextual factors.	4.25
Assessing the organization's industry environment factors.	4.25
Budgeting resources allocations	4.25
Competitor Analysis	2.00

Source: Questionnaire

* The mean is a weighted average of the responses from a five-point Likert scale where score 5 was assigned was 'extremely important' and 1 was assigned 'not important'

The finding that there was low political influence in the strategies being formulated is an interesting one. This is because, the members of the Board of Directors are appointed by a Minister, who is essentially a politician. Further the Chairman of the Board again is appointed by the president on recommendations of the Minister. The finding that there is low political influence in strategy formulation may therefore require to be investigated further to generate conclusive evidence.

Table 14: The influence of key factors to strategies under formulation

Factor	Mean*
Water and sewerage services demand by customers	4.75
Financial resources available	4.50
Guidance from the Ministry of Water	4.38
Need for regional balance in the WSBs' area of jurisdiction.	4.25
Internal staff capacities	4.25
Guidance from WASREB	4.13
Political considerations	3.88

Source: Questionnaire

* The mean is a weighted average of the responses from a five-point Likert scale where the score 5 was assigned 'very strong influence' and score 1 was assigned 'no influence'

4.6 Strategy Development Process

After the initial seven WSBs were established, the government appointed the first board of directors complete with a chairman for each of them. The initial staffs including the chief executive officers were seconded by the government in an acting capacity to make the boards operational. First to be developed by the new WSBs were the operational plans, which focused more on establishment of the WSBs in terms of first securing the necessary physical infrastructure and human resources for the boards to commence operations. The board of directors identified the critical senior positions, which were then filled through a competitive selection processes. After acquiring physical infrastructure and recruiting the basic but senior human resources, the board of directors then led a process of developing the initial vision and mission statement, the purpose and goals of the WSBs. The researcher established that during this period, the board of directors and senior management of the WSBs visited several countries with closely related legal framework in the water sector around the Eastern and Southern Africa region for the purpose of learning. On the basis of these exposure visits, the WSBs made their 'transition' strategic plans, which were basically to facilitate the transition of operations from central government to the newly created state corporations. These transition strategic plans generally covered the period between 2003 and 2007. During this duration, most of the WSBs hired key personnel including the CEOs from the market through competitive recruitment processes. The period of 2003 to 2007 was a period of 'storming' and 'norming' in WSBs. By 2004, all the WSBs existing then were licensed by WASREB.

The researcher found that despite the slow start in developing strategic plans necessary for strategic management, all the WSBs now have evolved a strategy development process, which was used in developing the current strategic plans. From the study, the researcher established that 75% of the WSBs followed a structured strategy development process. The process involved; formation of a planning committee made up of the CEO and senior

mangers; appointment of a consultant; collection of general environment information, water and sewerage services sub-sector analysis, and SWOT analysis by the planning committee with the facilitation of the external consultant. With this information, the senior managers retreat to a workshop from where they develop their strategies and produce the first draft strategic plans with the facilitation of the external consultants. The external consultant then consolidates the first draft strategic plan, which is reviewed by senior management to ensure that it incorporates the aspirations of the WSB. A second workshop is then called, which includes the stakeholders and senior managers of the WSB. The draft strategic plan is presented to this wider team, for critical analysis. The inputs from this second workshop are then included in the second draft by the external consultant to produce the second draft, which is then presented to the management for review. Once the final management is satisfied, with this second draft, it is presented to the board of directors for approval before implementation commences.

A look at the WSBs that adopted this strategy formulation process revealed that 66.7% of these WSBs had water services coverage of 50-70%, while the rest of 33.3% of the WSBs had water services coverage of 30-50%. While no attempt here is made to attribute the higher observed water services coverage, in WSBs that follow the process defined above in strategy development, this may need to be studied further to establish if there is any significant relationship between the process and water service coverage.

According to findings in this study, in 25% of the WSBs, an external consultant is hired, who undertakes the situation analysis in consultation with senior management, facilitates a SWOT analysis, and prepares the first draft of strategic plans. The senior managers and the CEO review this first plan, and provide comments for the external consultant to include. After receiving the finalized strategic plan, the management presents this to the board of directors for approval before implementation. In these WSBs, the average annual financial resources available were between 10 – 30% of the budget, water service coverage was between 30 and 50%, while sanitation coverage was between 10 and 30% in these WSBs. While the process of strategy

formulation may not be the reason for this, the coincidence is strong, but further research will be required to establish the effect of the process. However various researchers (Mintzberg, 1987a; Pearce and Robinson, 2007) have clearly elaborated the importance of senior management and the CEO as the drivers of strategy formulation process rather than passive participants who only provide support to external consultants.

The duration of strategy formulation ranged between three to six months, which can be partly attributed to the requirements of the WSBs to conform to the public procurement act in hiring external consultants and venues for strategic planning workshops. The duration compared well with that used by other organizations, such as East African Breweries (EABL), which normally took seven months between start of the process and final approval of the strategic plans (Muriuki, 2005).

Although during the study, it was established that all the strategic plans developed had a section labelled 'Financing the strategic plan', in all the current strategic plans for WSBs reviewed, the section did not elaborate actual amounts required to implement the strategic plan on annual basis as is the practice with successful organizations. This observation is in line with the findings in this study that resource allocation was not highly ranked in the strategy development of WSBs. Muriuki (2005) who undertook a study of strategic planning at the East African Breweries Ltd established that as part of strategic planning in that company, a detailed operational plans with associated cost implications and revenue for the first year of the strategic plan were normally prepared, while estimates were made for all the subsequent years of the strategic plan, which made it easy to implement the strategic plan. A similar resources allocation process may need to be adopted by WSBs to ensure and documented in the strategic plan to ensure clarity during implementation.

4.7 Challenges in Strategy Development in the WSBs

Development of the current strategic plans for WSBs included formulation of vision and mission statements, since these were the first substantial strategic plans since establishment of the WSBs. According to the study, In the process of development of the mission statement and objectives, the WSBs indicated that there were several major obstacles. Table 6 lists the opinions of WSBs on the obstacles encountered. In the opinion of the WSBs, the study established that the major obstacles in order of priority were inadequate staff capacities; inadequate financial resources to address the challenges in their areas; changing trends in the environment; and poor communication modes, as seen in table 15.

Table 15: Obstacles in the development of the mission statement and objectives

Obstacle	Mean*
Inadequate staff capacity in strategic planning	5.00
Inadequate financial resources	4.00
Changing roles and trends	4.00
Poor communication modes/channels	3.50
Fear of failure to achieve	3.13
Opposing views from the Board of Directors	3.00
Inadequate top management support	2.88

Source: Questionnaire

* The mean is a weighted average of the responses from a five-point Likert scale with score 5 assigned 'strongly agree' and score 1 assigned 'strongly disagree'

According to findings during in this study, the WSBs face numerous challenges in strategy development. Inadequate staff capacity for strategy development and the interrelated passive resistance and poor motivation was identified as a key challenge common to all of the WSBs in this study. Inadequate baseline data for planning, coupled with inadequate institutional memory associated with the fact that the WSBs are relatively young was identified as another major and common challenge to all these organizations.

Inadequate financial resources to implement the strategic plans, yet the broad objectives were set by the government in the national water services strategy (2007a) was identified as a major challenge in 75% of the WSBs. According to 67.5% of the WSBs, ensuring compliance with the government policies such as Vision 2030, was a major challenge since there was inadequate clarity (see table 16).

Table 16: Challenges to strategic planning in WSBs

Challenges	Percentage (%)
Inadequate staff capacities	100.0
Inadequate baseline data	100.0
Inadequate financial resources	75.0
Ensuring compliance with the other policies such as Vision 2030	67.5
Political interference	37.5
Poorly informed and semi-illiterate stakeholders in consultative forums	25.0
Ensuring that WSBs remain within their mandate and complied with the water sector reforms	25.0

On the other hand, 37.5% of the WSBs reported that political interference was a major challenge in strategy development. 25% of the WSBs identified as a challenge the process of stakeholders participation and consensus building since it was expensive in terms of time and money and mainly involved semi-illiterate and poorly informed participants with little or no value adding to the process. The need to factor in the complementary roles of other sector institutions, and commitment to ensure that the strategies reflected the mandate of the WSB and that they did not interfere with the operations of other water sector institutions was sited as a challenge in 25% of the WSBs, as seen in table 16.

4.8 Discussion

Through the study, the researcher established that all the WSBs in the study had a vision and mission statements, and objectives. Yamo (2006) working with civil engineering companies in Kenya found that only 64.29% had a formally written mission statement at the time of the study. Mwaura (2001) working with television companies in Kenya found that only 40% had a formally written mission statement at the time of the study. 75% of WSBs stated that very strong emphasis and 25% strong emphasis was placed in the mission statement, which was significantly higher than in other sub-sectors as was determined in other studies (Bett, 2003; Mwaura, 2001; Yamo, 2006).

The importance of strategic planning arises from the fact that it is the first major step in strategic management since it details the road map the organization intends to take to achieve the organization's goals, objectives and long term sustainability. A study of American mergers and acquisitions found that deliberate pre-planning of acquisition strategy produces better performance than unplanned, opportunistic, adaptive approach (Ansoff et al., 1970).

Through this study, it was established that all the WSBs had formally written strategic plans and that during the formulation strategy development process, they all undertook SWOT analysis. The study also found that during the strategy formulation process only 50% undertook general environment analysis and water sector analysis respectively. On the other hand only 12.5% of the WSBs undertook competitors' analysis. One of the many reasons that make strategies not to always work is the poor environmental analysis (Campbell and Marcus, 1997). According to the study 87.5% of the WSBs intended to maintain the current strategic plans for the planning period, however many studies have revealed that organizations require to monitor the operating environment regularly, and adjust strategies accordingly to maintain a match between the strategy and environment for the achievement of the organization objectives and long term sustainability (Ansoff, 2006; Hax and Majluf, 1986; Porter, 1980).

The study revealed that all the WSBs prepared operational plans on regular basis. According to the study, 62.5% of the WSBs reviewed the operational plans every quarter, while 37.5% reviewed them annually. These findings were consistent with others who studied strategic planning practices by Kenyan organizations in various sub-sectors (Bett, 2003; Kang'oro, 1998; Malusi, 2006). However, none of the WSBs mentioned preparation of operational plans aligned to the strategic plans as part of the strategic planning processes, yet this is one of the critical steps for the implementation plan section of the strategic plans (Muriuki, 2005; Pearce and Robinson; 2007).

The initial strategies in WSB were basically transitional strategies which were mainly geared towards making the organizations operational. The current strategies therefore are the first substantive strategies for the WSBs. The strategies were meant to help the newly created WSBs align themselves with the operating environment. The strategies in the WSB were also designed to align the objectives to the government policy papers such as the Economic Recovery Strategy for wealth creation (2003 – 2005) and Vision 2030. Through these policy papers, the government introduced performance-based contracts for employees, committing the management of government corporations to achieving certain objectives and targets, focused on improved efficiency, improved level of transparency and accountability in management of public resources and the aspect of competition amongst state corporations. This has led to more emphasis on the adoption of strategic management by public corporations, such as the WSBs. Although most organizations in Kenya adopted strategic planning to cope with changes in the operating environment (Bett, 2003; Kang'oro, 1998; Malusi, 2006), WSBs adopted the practices to set a foundation for strategic management.

In 87.5% of the WSBs the process of strategy development was driven by the CEOs and senior managers in the WSBs, while the directors gave the final approval before implementation. Malusi (2006) established that strategy development process in NHIF was formal, with senior management

developing the strategies for Board of directors' approval, which is similar to the practice in WSBs. Involvement of senior managers who are decision makers and the CEO has many benefits which includes tapping on the collective intelligence, evolving the best alternatives through group think, ownership and common understanding (Pearce and Robinson, 2007), therefore the process adopted by the WSBs was value adding.

The process of strategy development was very formal in the WSBs according to the findings and took an average period of 3 to 6 months. The process was characterized by formal and informal planning meetings, a time table and well defined responsibility for planning and adequate resources set aside in all the WSBs. Muriuki (2005) working on strategic planning at East Africa Breweries Ltd found that the company had set planning time table. The process involved senior managers participated, and normally commenced with a workshop during which EABL group strategy which drove the process were shared. The process was very formal and included templates for strategies and finances, which enabled standardization of the reports and made it easy to consolidate the final report. In the case of EABL, the strategic plan was for 3 years, with high concentration in the first year. The process used to start in November of the previous year and end in May of the following year. As in WSBs, the final strategic plan was approved by the board of directors. Although the processes at EABL had many similarities with that adopted by WSBs, the processes at EABL appeared more formalized and deeper in content particularly as regards environmental analysis and development of detailed operational plans for the first year of the strategic plan.

Through this study, the researcher found that provision of water and sewerage services demands, financial resources available for investment and guidance from the ministry in-charge of water had the greatest influence in strategy development. Otete (2003) while undertaking a comparative study between the public and private sector in Kenya found that formal strategic planning was practiced in both the private and public sectors. According to Otete (2003), the government and economic factors had the main influence in

the process. The findings of this study, there are some similarities with those of Otete (2003).

The strategy development processes experiences numerous challenges. According to findings in this study, one of the main challenges in strategy development was inadequate staff capacities in strategy development. Another major challenge was baseline data for strategic planning. This finding was in line with the finding that environmental analysis was not undertaken in more than 50% of the WSBs. The inadequacy of data would also imply that where the environmental analysis was undertaken, the depth and breadth of the analysis was inadequate. Poor environmental analysis may lead to failure of strategy in achieving the desired results (Campbell and Marcus, 1997). The study also found that inadequacy of financial resources for investment was seen as a major obstacle in strategy development. Other significant obstacles were poor communication modes between the various stakeholders, and political interference. The need to comply with many government policies such as Vision 2030 without proper guidance was also cited as a major obstacle. Ndung'u (2006) working on strategic planning practices and performance of selected colleges found that one of the main challenges to strategy development was inadequate financial resources just as in the WSBs.

CHAPTER 5: SUMMARY, LIMITATIONS AND CONCLUSIONS

5.1 *Strategy Development Processes*

The strategy development process in the water services boards were formal and resulted in formal and documented vision, mission and strategic plans. In all the WSBs, the process involved formulation of the vision and mission statements. This process was driven by a select committee of senior managers and the CEO in most of the WSBs. In most the WSBs, the process of environmental analysis appeared incomplete, apart from the SWOT analysis. This may be explained by the fact that the planning context was informed by various government policies and guidelines, which were unclear in some aspects, for example the Vision 2030, and others which were very detailed such as the National Water Services Strategy for 2007 to 2015 (2007a). The process of objective setting therefore was more of a selection process for objectives set by the government. However this placed a challenge in that the financial resources set aside the government were inadequate according to most WSBs.

All the WSBs undertook operational planning; however this was not seen as part of the strategy development process by most of the WSBs. Budgeting for resources allocation and preparation of detailed financial plans did not rank highly in the strategy development process compared to other activities. The strategic plans development by WSBs included an elaborate monitoring and evaluation process.

5.2 *Challenges in Development of Strategic Plans in the WSBs*

According to findings in this study, one of the main challenges in strategy development was inadequate staff capacities in strategy development and inadequate baseline data for strategic planning. The study also found that inadequacy of financial resources for investment was seen as a major

obstacle in strategy development. Other significant obstacles were poor communication modes between the various stakeholders, and political interference. The need to comply with many government policies such as Vision 2030 without proper guidance was also cited as a major obstacle.

5.3 Recommendations

The study found that in the strategy formulation, environmental analysis did not capture all the standard aspects and the available baseline data was inadequate. It is therefore recommended that strategy development in WSBs should include a thorough environmental analysis to enable informed prediction of the future, realistic strategies and accurate identification of the associated risks and assumptions. In the identification and analysis of options during strategy development process, the guidance from the government should just be used to moderate the process rather than to stifle this aspect of the process as it appears to do currently.

Resource allocation in strategy development process is a major enabler for the implementation and realization of the strategy. This process should therefore be dealt with in details during the strategy development process as is the case in successful organizations such as EABL (Muriuki, 2005). In line with this, development of detailed financial plans should be allocated adequate time and resources. Elaborate resource allocation and financial plans, would contribute heavily to the success of strategy implementation.

5.4 Limitations of the Study

This study was designed as a descriptive study and data was collected through a cross-sectional survey. Hence it was not possible to establish the cause-effect relationship, between the strategy development processes and the outcome.

The other major limitation arose from the fact that WSBs are very young organisations having become operational less than 5 years ago. The current strategies were the first set of substantive ones for the WSBs; hence there was no institutional memory of strategy development process for comparison.

5.6 Suggestions for Further Research

The WSBs are critical in the securing the basic human rights of access to adequate drinking water and sewerage services all year round for all Kenyans, therefore a study of the relationship of strategy and performance would be of great significance to the country.

The study found that in the strategy formulation, environmental analysis did not capture all the standard aspects. There is need therefore to investigate the effect of these omissions in the final strategy developed. It is therefore recommended that an evaluation of the strategies developed in the water services boards be evaluated. The criteria for evaluating strategy may include its clarity, motivational impact, internal consistency, compatibility with the environment, appropriateness in light of resources, degree of risk, and match to the personal values of key figures, time horizon, and workability amongst other critical factors and structural elements (Tilles, 1963; Christensen et al., 1978).

The survey revealed that the number of private WSPs at 0.7% was insignificant, and actually occurred in only 25% of the WSBs. The importance of private WSPs is emphasised in the Water Act 2002 and other government policy documents (GoK, 2007a) therefore the role of strategy and other causes for this low participation of private WSBs will need to be investigated.

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APPENDICES

APPENDIX I - LIST OF WATER SERVICES BOARDS IN KENYA

	Name	Location of Head Office	Category of Water Service Providers			Total
			I - Urban (Limited Liability Companies / Trusts)	II - Water User Associations/ Community Based Organizations	III - Private (NGOs and Private Organizations)	
1	Athi WSB	Nairobi	10	2	0	12
2	Coast WSB	Mombasa	6	12	0	18
3	Lake Victoria North WSB	Kakamega	5	27	0	32
4	Lake Victoria South WSB	Kisumu	9	49	1	59
5	Northern WSB	Garisa	4	20	2	26
6	Rift Valley WSB	Nakuru	10	11	0	21
7	Tana WSB	Nyeri	14	19	0	33
8	Tanathi WSB	Kitui	19	212	0	231

Source: Water Services Regulatory Board, 2008 and Questionnaire.

APPENDIX II – LETTER OF INTRODUCTION

Robert Njoroge,

P. O. Box 52435 - 00200 CSQ **Nairobi, Kenya**

Tel: +254 20-3534084; Cell: 0722-349 903;

Email: Robert-njoroge@netwas.org

October 14, 2008

Chief Executive Officer,

----- Service Board

P. O. Box -----

Nairobi-Kenya

Dear Sir,

RE: Request for Research Support

This is to kindly request you to support my research by providing the information as per the attached questionnaire and posting it back to me using the self addressed and stamped envelope enclosed with the questionnaire or emailing to the above address captioned above. After receiving the questionnaires, I will seek an appointment at a time convenient to you to clarify any outstanding issues. The questionnaire is about strategic planning in your organization. The results of the study shall be used for academic purposes only. The main aim of the research is to document strategy development processes among Water Service Boards in Kenya. Should you wish to clarify any other aspect regarding my request you can contact me through any of the details listed above.

I am a student at the School of Business, University of Nairobi currently pursuing a course leading to the award of the degree of Master of Business Administration in the area of strategic management. As part of this course, am required to undertake a research project in my chosen field of study. In this regard, my chosen area of study is 'Strategy Development among Water Service Boards in Kenya'. It is for this reason that am requesting for this support.

I look forward to your favourable response.

Kind regards,

Njoroge Robert,

MBA Student, University of Nairobi

APPENDIX III – QUESTIONNAIRE

SECTION A: Profile of Respondent

1. How many years have you been with the WSB? (Please tick one).
 - i. Less than 1 year []
 - ii. 1 year and above, but less than 3 years []
 - iii. 3 years and over []

2. What is your current position in the WSB? (Please tick one).
 - i. CEO []
 - ii. Senior Manager []
 - iii. Manager []
 - iv. Other []

3. How many years have you been in the present position? (Please tick one).
 - i. Less than 1 year []
 - ii. 1 year and above, but less than 3 years []
 - iii. 3 years and over []

Section B: Profile of the Water Service Board

1. When was the WSB gazetted? (Please tick one)
 - i. Less than 1 year []
 - ii. 1 year and above, but less than 3 years []
 - iii. 3 years and over []

2. How many non executive directors (i. e. excluding the CEO) does the Board have? (Please tick one)
7 [] 9 [] 11 []

- Others (please specify) _____

3. How many non executive directors (i. e. excluding the CEO) represent various government ministries in board of directors? (Please tick one)

7 [] 9 [] 11 []

Others (please specify) _____

4. How many members of the senior management, excluding the CEO and Board Secretary are full time members of the board of directors? (Please tick one)

1 [] 3 [] 5 []

Others (please specify) _____

5. What kind of organization structure does the organization have? (Please tick one)

Divisional [] Functional []

6. What percentage of the established positions is currently filled? (Please tick one)

Less than 50% []

50% and above, but less than 80% []

80% and above []

7. What is the total population covered by the Board? (Please tick one)

Under 1 million []

1 million and above but less than 3 million []

3 million and above but less than 5 million []

5 million and above []

Unknown []

8. What is the current water service coverage in the Board's area of jurisdiction? (Please tick one)

- Under 10% []
- 10% and above but less than 30% []
- 30% and above but less than 50% []
- 50% and above but less than 70% []
- 70% and above but less than 90% []
- 90% and above []
- Unknown []

9. What is the current sewerage service coverage in the Board's area of jurisdiction? (Please tick one)

- Under 10% []
- 10% and above but less than 30% []
- 30% and above but less than 50% []
- 50% and above but less than 70% []
- 70% and above but less than 90% []
- 90% and above []
- Unknown []

10. How many Water Service Providers are licensed by the Board to operate in its area of jurisdiction? (Please insert number)

Category	Description	Number
Category I	Urban (Limited Liability Companies/Trusts)	
Category II	Water User Associations/Community Based Organizations	
Category III	Private (NGOs and Private Organizations)	
	Total	

11. What is the average percentage of the annual financial income does the WSB receive from all sources compared to the annual total budget over the last three years? (Please tick one)

- Under 10% []
- 10% and above but less than 30% []
- 30% and above but less than 50% []
- 50% and above but less than 70% []
- 70% and above but less than 90% []
- 90% and above []
- Unknown []

12. For how long has the organization been involved in water supply and sewerage services? (Please tick one)

- i. Less than 1 year []
- ii. 1 year and above, but less than 3 years []
- iii. 3 years and over []

Section C: Vision and Mission statements

1. Does the Board have a vision statement? (Please tick one)

- Yes [] No []

2. Does the organization have a mission statement? (Please tick one)

- Yes [] No []

If No, move to Section D.

(a) Is it a formally written statement? (Please tick one)

- Yes [] No []

(b) Who conceived the idea of a mission statement? (Please tick one)

- i. Members of the Board of Directors []
- ii. Chief Executive Officer []
- iii. Senior managers together with the CEO []
- iv. Senior manager excluding the CEO []
- v. Others (Please specify) _____

(c) When was the mission statement implemented? (Please tick one)

- i. Less than 1 year []
- ii. 1 year and above, but less than 3 years []
- iii. 3 years and over []

(d) What is the level of emphasis placed on the mission statement?
(Please tick the appropriate box)

5 Very strong emphasis	4 Strong emphasis	3 Moderate emphasis	2 Little	1 No emphasis

Section D: Objectives and their setting

1. Does the organization have set objectives? (Please tick one)

Yes [] No []

a. If no, why? _____

b. If yes, who sets the objectives? (Please tick one)

- i. Members of the Board of Directors []
- ii. Chief Executive Officer []
- iii. Senior managers together with the CEO []
- iv. Senior manager excluding the CEO []
- v. Others (Please specify) _____

c. Are these objectives formally presented in a written form?
(Please tick one)

Yes [] No []

d. What in your opinion is the level of awareness on the objectives among employees in the organization? (Please tick the appropriate box in each row)

	5 - Very High	4 - High	3 - Slightly High	2 - Low	1 - Not Aware
Top management					
Middle Level Management					
Supervisory					
Others					

2. What in your opinion are the major obstacles experienced in the development of the mission statement and objectives? (Please tick the appropriate box in each row)

	5 – Strongly agree	4 – Agree	3 – Neither agree nor disagree	2 – Disagree	1 – Strongly disagree
Inadequate top management support					
Opposing views from the board of directors					
Poor communication modes/channels					
Fear of failure to achieve					
Inadequate financial resources					
Others (please specify)					
Others (please specify)					

Section E: Operational Plans

1. Does the organization develop operational plans? (Please tick one)

Yes [] No []

If no, why? _____

If Yes,

a. How long ago were these plans first developed in the organization? (Please tick one)

- i. Less than 1 year []
- ii. 1 year and above, but less than 3 years []
- iii. 3 years and over []

b. How frequently are the plans reviewed? (Please tick one)

- i. Every month []
- ii. Every Quarter []
- iii. Semi-Annually []
- iv. Annually []
- v. Others (Please specify) []

c. Who are the key participants in the development of these operational plans? (Please tick one)

- i. Members of the Board of Directors []
- ii. Chief Executive Officer []
- iii. Senior managers together with the CEO []
- iv. Senior manager excluding the CEO []
- v. Others (Please specify) _____

d. Do the following features characterize the operational planning process in the WSB? (Please tick one for each item in roman numerals)

- | | | | | |
|----------------------------------------------|-----|--------|----|--------|
| i. Formal planning meetings | Yes | [] | No | [] |
| ii. Informal planning sessions | Yes | [] | No | [] |
| iii. Timetable for preparation of plans | | | | |
| | Yes | [] | No | [] |
| iv. Well defined responsibility for planning | | | | |
| | Yes | [] | No | [] |
| v. Existence of planning department | | | | |
| | Yes | [] | No | [] |
| vi. Annual budget for planning | Yes | [] | No | [] |

Section F: Strategic Plans

1. Does the organization develop any strategic plans? (Please tick one)

Yes [] No []

If no, why? _____

If Yes,

a. Are these strategies in a formally written form? (Please tick one)

Yes [] No []

b. How long ago was the first strategic plan developed in the organization? (Please tick one)

- | | | |
|------|-----------------------------------------|--------|
| i. | Less than 1 year | [] |
| ii. | 1 year and above, but less than 3 years | [] |
| iii. | 3 years and over | [] |

c. What is the duration covered by the current strategic plan? (Please tick one)

- i. 3 years []
- ii. 5 years []
- iii. 10 years []
- iv. Others (please specify) _____ years

d. Have these strategies in the organization changed over time?
(Please tick one)

Yes [] No []

e. Does the WSB intend to maintain the current strategies?
(Please tick one)

Yes [] No []

If no, why would you wish to change these strategies? _____

e. Who develops these strategies? (Please tick one)

- i. Members of the Board of Directors []
- ii. Chief Executive officer []
- iii. A committee of senior managers with an internal facilitator []
- iv. A committee of senior managers with an external facilitator []
- iv. External consultants []
- v. Others (Please specify) _____

f. Do the following features characterize the strategic planning process in the organization? (Please tick one for each item in roman numerals)

i. Formal planning meetings Yes [] No []

iii. Timetable for preparation of strategic plans
 Yes [] No []

iv. Well defined responsibility for planning
 Yes [] No []

v. Alternative arrangements made for carrying out of the duties for those involved in planning? Yes [] No []

vi. Adequate resources set aside for planning?
 Yes [] No []

vii. All decision makers in the management involved in planning?
 Yes [] No []

g. Who approves the final strategic plans before they are implemented? (Please tick one)

i. Members of the Board of Directors []

ii. Chief Executive Officer []

iii. Senior managers together with the CEO []

iv. Senior manager excluding the CEO []

v. Others (Please specify) _____

h. Does the organization carry out general external environment analysis? (Please tick one)

Yes [] No []

If Yes,

Who conducted the general external environment analysis? (Please tick one)

i. Chief Executive Officer []

ii. Senior managers together with the CEO []

iii. Planning department []

- iv. Planning department with the assistance of an external consultant []
- v. Select planning committee assisted by an internal facilitators []
- vi. Select planning committee with the assistance of an external consultants []
- vii. External consultants []
- viii. Others (Please specify) _____

i. Does the organization carry out water services sector analysis?
(Please tick one)

Yes [] No []

If Yes,

Who conducted the water services sector analysis? (Please tick one)

- i. Chief Executive Officer []
- ii. Senior managers together with the CEO []
- iii. Planning department []
- iv. Planning department with the assistance of an external consultant []
- v. Select planning committee assisted by an internal facilitators []
- vi. Select planning committee with the assistance of an external consultants []
- vii. External consultants []
- viii. Others (Please specify) _____

j. Does the organization carry out competitors' analysis? (Please tick one)

Yes [] No []

If Yes,

Who conducted the competitors' analysis? (Please tick one)

- i. Chief Executive Officer []
- ii. Senior managers together with the CEO []
- iii. Planning department []
- iv. Planning department with the assistance of
an external consultant []
- v. Select planning committee assisted by
an internal facilitators []
- vi. Select planning committee with the assistance of
an external consultants []
- vii. External consultants []
- viii. Others (Please specify) _____

Who are the major competitors to the organization? (Kindly rank them in order of importance)

i. _____

ii. _____

k. Does the organization carry out SWOT analysis? (Please tick one)

Yes [] No []

If Yes,

Who conducted the SWOT analysis? (Please tick one)

- i. Chief Executive Officer []
- ii. Senior managers together with the CEO []
- iii. Planning department []
- iv. Planning department with the assistance of
an external consultant []
- v. Select planning committee assisted by
an internal facilitators []
- vi. Select planning committee with the assistance of
an external consultants []

vii. External consultants []

viii. Others (Please specify) _____

How long did it take to develop the last strategic plan (from the date you had the first meeting to the date the Strategic plan was approved by the Board of directors _____ months

l) What processes did the organization follow in developing the strategic plans? (Kindly list the steps in the order they were undertaken)

i. _____

ii. _____

iii. _____

iv. _____

m. During the development of strategic plans, please indicate the level of importance of the following in the process (Please tick one box in each row as appropriate)

	5 – Extremely important	4 – Very important	3 – Important	2 – Moderately important	1 – Not important
Formulating the organization's mission, including broad statements about purpose, philosophy and goals					
Developing the organization profile that reflects its internal conditions and capabilities					
Assessing the organization's general external environment, including the general contextual factors.					
Assessing the organization's industry environment factors.					
Competitors Analysis					
SWOT Analysis					
Analyzing the organization's options by matching its resources with the external environment					
Identification of the most desirable options through evaluation of each option in light of the organization's mission.					

Question 1 (m) continued					
	5 – Extremel y important	4 – Very important	3 – Important	2 – Moderat ely important	1 – Not important
Selection of long-term objectives and grand strategies					
Developing annual objectives and short-term strategies					
Developing short-term action plans					
Budgeting resources allocations in which the matching of tasks, people, structures, technologies, and rewards systems is emphasized.					
Evaluation of the success of the strategic process as an input for future decision making.					
Others (please specify)					
Others (please specify)					

n. What would you say are the problems experienced in the development of these strategies? (Kindly rank them in order of importance)

i. _____

ii. _____

iii. _____

iv. _____

v. _____

vi. _____

2. What is the influence of the following to the strategies being formulated? (Please tick as appropriate on each row)

	5 - Very strong influence	4 - Strong Influence	3 - Moderate Influence	2 - Small Influence	1 - No influence
Water and sewerage services demand by customers					
Internal staff capacities					
Financial resources available					
Political considerations					
Guidance from WASREB					
Guidance from the Ministry of Water					
Need for regional balance in your area of jurisdiction.					

3. Does your organization analyze the water sector reports? (Please tick one)

Yes [] No []

4. What in your opinion are the key success factors in the water and sewerage services sector? (Please tick as appropriate on each row)

	5 – Strongly agree	4 - Agree	3 – Neither agree nor disagree	2 – Disagree	1 – Strongly disagree
Availability of adequate water sources					
Development of adequate physical infrastructure for water and sewerage services delivery					
Operation and maintenance of physical infrastructure for service delivery					
Enhanced regulation of Water Service Providers/ Water utilities					
Management style of the top managers of the WSB					
Continued financing of expansion of service coverage by government					
Commercialization of Water Service Boards with government meeting the cost of service to the poor					
Commercialization of Water Service providers/ Water utilities					
Working public private sector partnership)					

Your contribution is highly appreciated, may God bless you.