

**CHALLENGES OF STRATEGY IMPLEMENTATION WITHIN
THE KENYAN PUBLIC CORPORATIONS: THE CASE OF
NATIONAL SOCIAL SECURITY FUND (NSSF)**

By

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fulfilment of the requirements for the award of Degree of
Master of Business Administration, University of Nairobi**

October 2009

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DECLARATION

a) Declaration by the Student

I declare that this is my original work and has not been presented for a degree in any other university.

Sign... Julius Date... 19/02/2010

Julius Sinkeet Sekoyo
Reg. D61/8823/2006

b) Declaration by the University Supervisor

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

Sign... Dr. Mohamed Date... 08/04/2010

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ACKNOWLEDGMENTS

To the corporate executives who dare to dream big and steer their firms to virgin business frontiers through sound change-management practice.

My supervisor, Dr. Mohammed Ali, for helping straighten out a few twists and turns in my tour of research and for his guidance throughout the study.

I owe a debt of gratitude to the management and staff of NSSF for allowing me to study the organization and for taking time out of their busy schedules to give me interview sessions and all the information I needed to carry out the study. Without their support, I would not have reached this far.

I also thank my family and friends for their love and prayers for me. I am grateful for the unflagging moral support you extended to me during the research period. God bless you all.

Most of all, I am indebted to God for the gift of life and for the ambition and strength he inspired in me in pursuit of my MBA program. His guidance and love have seen me through challenging times.

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CHAPTER ONE: INTRODUCTION **ABSTRACT**

1.1 Background

Strategy is the link between the organization and the external environment. The environment presents both opportunities and threats to the organizations operating in it and it is upon every such organization to devise ways to exploit the opportunities and minimize the effects of the threats. This call for development of a strategy that helps articulate the objectives the organization hopes to achieve and map out the optimal route to the attainment of the same.

Strategy needs to be implemented successfully in order for the organization to realize the goals it hopes to achieve and for which the strategy was developed. However, implementation of strategy is not without challenge. It remains one of the most difficult areas of management. Considerable thought, energy and resources are given over to devising a strategic plan (Johnson and Scholes 2002).

The objective of the study was to establish the challenges of implementing strategy among the Kenyan Public Corporations using the case of NSSF. It also sought to establish the measures NSSF has put in place to address the identified challenges.

The research was conducted by way of a case study. Face to face interviews were done with ten out of the fourteen Heads of Departments of NSSF using an interview guide. Content analysis technique was then used to analyse the data by giving emphasis to certain concepts that are determined by the frequency of certain words and phrases emanating from the interviews.

The study found out that there are several challenges that mitigate against strategy implementation at NSSF. The most prevalent of them are such as resistance to change, organizational politics, communication barriers and poor control of the implementation process

CHAPTER ONE: INTRODUCTION

1.1 Background

Strategy is the determination of the basic long-term goals and objectives of the organization, and the adoption of course of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962). It is a means of establishing the purpose of an organisation by specifying its long term goals and objectives, action plans and resource allocation patterns to achieve the set goals and objectives.

Johnson and Scholes (2005), Strategy can be seen as the search for strategic fit with the business environment. This could require major resource changes for an organisation in the future. It is important to achieve the current positioning of the organization for example in terms of the extend to which products or services meet clearly identified market needs. This might take the form of a small business trying to find a particular niche in a market, or a multinational corporation seeking to buy up business that have already found successful market positions. However, strategy can also be seen as creating opportunities by building on an organization's resources and competencies. This is the resource-based view of strategy, which is concerned with exploiting the strategic capability of an organization in terms of the resources and competencies, to provide competitive advantage and/or yield new opportunities.

Porter (1980) notes that competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. Strategic management theory suggests that organizations generally weave their strategies around a generic strategy that is either based on cost leadership, differentiation or focus, from which emanates the grand strategy that is adopted by the

organizations. Further, it is ascertained that strategic analysis and choice is the outcome of the strategic management process.

Corporate strategy is the pattern of decision making in a company that determines and reveals its objectives, purpose or goals, produces the principle policies and plans for achieving those goals and defines the range of business the company is to pursue and the kind of economic and human organizations it is or it intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communication (Mintzberg, 1987)

Aosa (1992) noted that once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. A study was conducted by Nyororo (2006) on Change Management and Performance of NSSF (National Social Security Fund) and the findings confirmed that indeed strategic plans are developed at the organization. It also pointed out that even though there are challenges attendant to strategy development at the NSSF, the biggest challenge remains the implementation of the developed strategies.

Strategy implementation is one of the components of strategic management and refers to a set of decisions and actions that result in the formulation of long term plans designed to achieve organizational objectives (Pearce and Robinson, 1997). Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant system.

The implementation of the appropriate strategies remains one of the most difficult areas of management. Considerable thought, energy and resources go towards devising a strategic plan. Mintzberg (1994) noted that the plan, rather than the implementation comes in for scrutiny when a strategy fails because it is less problematic to analyze. But the whole point of a strategy is that it will be implemented and implemented successfully. Effective implementation results when organization resources and actions are tied to strategic priorities and set objectives achieved, and when key success factors are identified and performance measures and reporting are aligned (Deloitte and Touch 2003).

Implementation is successful if the company achieves its strategic objectives and targeted levels of financial performance. What makes it too demanding is the wide sweep of the managerial activities that have to be attended to, the many ways managers can tackle each activity, the skill that it takes to get a variety of initiatives launched and the resistance to change that has to be overcome (Thompson and Strickland, 2003).

1.2 Public Corporations

The public sector mainly constitutes central government, public corporations and local authorities. Public corporations are those corporate bodies in which the government holds at least 50% of the equity and whose operations are largely controlled by the state.

Public corporations have been in existence in Kenya since the colonial era when major transport and communication corporations such as Uganda Railways, which is now known as Kenya railways, were established. Other such corporations included the East African Post and Telecommunication, the East African Ports and Harbours and the East African Airways. As a consequence of the change of government at independence in 1963, the first independent government of the Republic of Kenya inherited many of them. Among them were those that covered a broad spectrum of the economy including agriculture, transport and communication, trade and commerce, education and research, and revenue collection (Sessional Paper No.10 1965).

In spite of what was substantial and heavy government investment in these corporations, the performance of many of them, if not all, have been dismal (Economic Recovery Strategy for Wealth and Employment Creation 2003-2007). Trivedi (2004) remarked that the state corporations' officials are beholden to the whims of their ministers and so the strategy development process lacks objectivity. The particular problems observed are related to accountability, good corporate governance, objectivity, and independence. Majority of them have resultantly been mismanaged to the extent of closure for some like the Nyayo Bus Corporation and

Kenya Meat Commission (KMC), though KMC has since been revived and operating vibrantly now.

Kiboi (2006), Decision making in public sector settings is a political process. In such situation, decisions are typically not purely rational but rather incremental and adaptive and predetermined by interaction of political influence and sudden changes in the environment. He further argues that strategic planning has to be accomplished in a pluralistic environment where power is distributed among many and varied interest groups.

Organizations today face turbulent and rapid changing external conditions that are translated into a complex multifaceted, fluid and interlinked stream of initiatives. These are affecting work and organisational design, resource allocation, systems and procedures in a continuous attempt to improve performance (Huczynski and Buchanan, 2001). With these environmental changes, the public sector has come under intense pressure to improve their operations and processes so as to offer world class service to the tax payer and the public in general and also to increase transparency in operations and utilization of public resources, increase accountability for results and to deliver products and services more efficiently, thereby, forcing governments to institute reforms in the public sector.

The government of Kenya recognized the need to enhance efficient service delivery through the policy paper on Economic Recovery Strategy for Wealth and Employment Creation (2003-2007), which envisaged efficient service delivery by central government and state corporations, a basic necessity to growth and development. This policy argues that in order to improve performance, performance

contracting and corporate governance should be introduced in all public departments and state corporations. The objectives of the policy were to improve service delivery to the public by ensuring that top-level managers are accountable for results: improve efficiency and ensure resources are focussed on attainment of key national policy priorities, institutionalize performance-oriented culture in the public service; measure and evaluate performance: link reward and sanctions to measurable performance: reduce or eliminate reliance on exchequer funding or government agencies which should generate revenues or make profit: and enhance performance of loss making government agencies (GOK 2005b)

1.2.1 National Social Security Fund (NSSF)

NSSF was established in 1965 by an Act of Parliament Cap.258 of the Laws of Kenya. It was established to replace the old social security system that collapsed with new economic order. Under the International Labour organization (ILO) convention, social security is defined as; the protection provided by the society to its members through a series of public measures against economic social distress that would otherwise be caused by the loss or substantial reduction of earnings resulting from sickness, maternity, employment injury, loss of employment, disability, old age and health: the provision of medical care and provision of subsidies to families with children.

The NSSF Act requires all employers to register with the fund and remit statutory contributions on a monthly basis. Contributions comprise a percentage of the employee's wages, which is matched by an equal amount by the employer subject to a set ceiling per month.

1.3 Research Problem

Initially the fund was a department within the Ministry of Labour but as its membership grew and its operations became more complex, the NSSF Act was amended in 1987 to transform it into an autonomous state corporation. Therefore since 1988, the fund has been operating under a Board of Trustees, which is constituted by workers, employers and Government representatives.

NSSF is the only social security organization which provides basic social security to workers in the country with a nationwide outreach covering every district throughout Kenya. Membership of NSSF has grown steadily over the years and by the end of 2008 it had a cumulative registered membership of 3,400,000. NSSF is in the process of converting from a National Provident Fund Scheme to a Social Insurance Pension Scheme that will operate as a mandatory National Social Insurance Pension Scheme, serving as the workers' first pillar of social protection. This new proposal is awaiting parliamentary approval before implementation.

NSSF's history has been marred by scandals and ill-conceived investment policies in the early and mid 1990's. However, in recent times, aggressive reform policies have been implemented to prevent the errors of the past from recurring. But reports of a few scandals still keep on emanating, for example the recent report of shares purchased and held in nominee accounts with the collapsed Discount Securities in shadowy circumstances. However, on the balance, NSSF's operations are now conducted in an atmosphere of transparency, accountability, and with renewed commitment to efficient delivery of social security services.

1.3 Research Problem

The whole macroeconomic environment that the Kenyan Public Corporations exist and operate in is rapidly dynamic. Constant changes in the environment make it highly unpredictable that no player in the market can accurately envision future trends. In addition, the Kenyan populace is also increasingly getting enlightened about best practices elsewhere and therefore demand efficient service delivery from the public

The public corporations therefore find themselves in a precarious situation torn between the easier status quo of laxity on the one hand and taking on the challenge of embracing modern practices in order to achieve some relevance in the environment on the other. To this end, many public corporations have resorted to the practice of strategic management in a bid to enhance their survival and relevance. The development of strategic plans is however not as difficult as implementing the strategy. The biggest obstacle that stands on the way of sound strategic management for these corporations is the challenge of strategy implementation. There is therefore need to study the challenges that the Kenyan Public Corporations face in implementing strategy.

A search of the available literature found a number of studies on Challenges of Strategy Implementation done by Kimathi (2006), Wambugu (2006), Gioche (2006), Githui (2006), Karuri (2006), Ngumo (2006), Olali (2006), and Ombati (2006). However, all these studies only covered private companies and Non-Governmental Organizations (NGOs). Hence there is need to carry out similar studies on state corporations in order to establish the challenges faced by state corporations in implementing strategy. This research therefore aims at studying the challenges of

strategy implementation among the Kenyan public corporations using the case of NSSF. The research also explores the measures taken by the organization to overcome the challenges.

(ii) To establish how NSSF deals with these challenges

The study thus sought to address the following questions:

- (i) What challenges does NSSF face in implementing strategy?
- (ii) How does NSSF deal with these challenges?

1.5 Significance of the study

To Researchers and Academicians – To establish how successfully public corporations implement strategy and determine the challenges they face in implementation.

To NSSF – To determine how effectively it engages in strategy implementation and establish the challenges it faces in implementing strategy and explore possible measures to address the challenges.

To Other Public Corporations – To demonstrate to them that strategy development and implementation is a reality and possible in the public sector just as effectively as in the private sector and how it impacts on performance of the organization.

1.4 Research Objectives

In light of the research questions cited above, the objectives of the study are to:

- (i) To determine strategy implementation challenges at NSSF
- (ii) To establish how NSSF deals with these challenges

1.5 Significance of the study

To Researchers and Academicians – To establish how successfully public corporations implement strategy and determine the challenges they face in implementation.

To NSSF – To determine how effectively to engage in strategy implementation and establish the challenges it faces in implementing strategy and explore possible measures to address the challenges.

To Other Public Corporations – To demonstrate to them that strategy development and implementation is a reality and possible in the public sector just as effectively as in the private sector and how it impacts on performance of the organization.

CHAPTER TWO: LITERATURE REVIEW

This section of the paper covers a review of the available literature on the concept of strategy and strategic management. It also looks at strategy implementation and the challenges of implementing strategy.

2.1 The Concept of Strategy

The history and development of documented strategic thinking can be traced back to the 1950s in the USA when accelerating and cumulating events began to change the boundaries, the structure and the dynamics of the business environment. Drucker (1954) called this era, an 'age of discontinuity' where firms were increasingly confronted with novel and unexpected challenges which were so far reaching. He addressed the issues of strategy and strategy formulation as an approach to managing organizations. His concern was primarily with identifying the business of the organization.

The approach of Drucker was further expounded by Chandler (1962), Ansoff (1965) and Andrews (1971). Chandler (1962) outlines the process by which strategy could be formulated and achieved and also observed that organization structure follows strategy. His definition of strategy stresses the determination of the basic long term goals and objectives of an enterprise and the adoption of course of action and allocation of resources necessary for carrying out the intended goals. Chandler (1962) considered strategy as a means of establishing the purpose of an organization by specifying its long-term goals and objectives, action plans and resource allocation patterns to achieve the set goals and objectives.

Ansoff (1965) views strategy as the common thread in an organization business. He also defines strategy as the product/market scope of an organization. Thus in an organization, any strategic change should only involve product or market focus.

Andrew (1971) asserts that strategy is a pattern of decisions in a company that determines and reveals its objectives, purpose or goals, produces the principle policies and plans for achieving those goals that define the range of business the company is to pursue, the kind of economic and non-economic contribution it intends to make to its shareholders and employees and communities.

It is worth noting that during this period strategic planning was increasingly adopted

and those early writers were therefore handy. However, as the competition intensified as a result of internationalization of business, resources became scarce and

technological innovations ascertained the approach to strategy by writers. This is seen in Mintzberg's (1985) definition of strategy as a pattern in a stream of decisions and

actions that may be deliberate at times, emergent at other times, mixed and mostly based on management intuitions and creativity. He concludes that though formal

strategic planning only gave rise to deliberate strategies, realized strategy is the outcome of both deliberate and emergent strategy. Peters (1987) observes that

strategic planning needs to be rediscovered, whereby due to acceleration of change in the environment, strategic thinking should be flexible and adaptable, hence be timely

in responding to the surprises which could not be anticipated in advance. He argues that a good strategic planning process should be open to debate whose emphasis

should be proactivity, imaginative and risk taking.

Strategy therefore cannot be static; as Thompson and Strickland (1993) state that the task of strategizing is always an ongoing exercise, partly in response to an ever changing external environment, partly from manager's efforts to create new opportunities and partly from fresh ideas about how to make the strategy work better. They continue to state that, everything cannot be planned out in advance and even the best-laid-plans must be responsive to changing conditions and unforeseen events. Strategy making thus proceed on two fronts, one proactively thought in advance, the other conceived in response to new developments, special opportunities and experience with the successes and failure of prior strategic moves, approaches and actions.

Hax and Masluf (1996) and Johnson and Scholes (1999) summarize the nature and characteristics in contemporary strategic thinking as:

As a means to determine and establish the organizations purpose in terms of its long term objectives, action plans and resource allocation priorities. That is, strategy should not only shape the long term objectives of the organization but also define the major action programs needed to achieve those objectives as it deploys the necessary resources.

As a concern with the scope of an organization's activities, strategy should be seen to define what business an organization is in or intends to be in. Hence, strategy should address issues of growth, diversification and divestments. This leads to business analysis, strategic positioning, resource allocation and portfolio management.

However, scope of an organization is not limited to only product and service but also include customers and competitors.

As a way of making decisions that are aimed at achieving long term sustainable advantage for the organization over the competitors. Strategic thinking should therefore focus on opportunities and threats that have to be reckoned with externally while internally assess the organization's strengths and weaknesses that have to be further developed and corrected.

Strategy thinking should be seen to match the activities of an organization environment in which it operates. Strategy is needed to obtain a viable match between the external environment and the internal capabilities of a firm to necessitate it to continuously adapt to the demands as presented by the changing environment.

From the nature and characteristics of strategy, therefore, strategies exist at a number of levels in an organization. Corporate level strategy is concerned with an organization's overall purpose and scope, while business unit strategy is concerned with how to compete successfully in a market, and lastly the operational or functional strategy is concerned with how resources, processes and people can effectively deliver corporate and business level strategies (Johnson and Scholes, 1999).

The purpose of strategy is to provide directional cues to the organization that enable it to achieve its objectives while responding to the opportunities and threats in the environment (Schended & Hofer, 1979). Johnson & Scholes (2002) concludes that strategy can be seen as the matching of the resources and activities of an organization

to the environment in which it operates. This is sometimes known as the search of strategic fit.

Robinson (2001) defines strategic management as a series of decisions and actions that result in formulation and implementation of plans designed to achieve the company's objectives. It involves the planning, directing, organizing and controlling of company's strategy related decisions and actions. Strategy in an organization is viewed from three levels: Corporate, Business and Functional.

At the corporate level, these are members of the board and chief executive and senior administrative officers. Decisions at corporate level tend to be more value oriented, more conceptual, and less concrete than decisions at the business or functional levels. Pearce and Robinson (2002). Corporate level decisions are often characterized by greater risk, cost and profit potential, greater need for flexibility and longer time horizons. (Mintzberg, 2000). Such decisions include the choice of business dividend policies, sources of long term financing and priorities for growth. At this corporate level, strategic management entails assessing strategic capability of the organization.

The second rank of decision making is business level, composed principally of business and corporate managers. Functional level decisions implement the overall strategy formulated at the corporate level while business-level decisions help bridge decision at the corporate and functional levels. The functional level decisions incur only modest costs, because they are dependent on available resources (Jayach, 2000). The ideal strategic management process is developed and governed by a strategic management team that include decision makers from the three levels of management: Corporate, Business and Functional.

2.2 Strategic Management Practices

Pearce and Robinson (2000) define strategic management as the set of decisions and actions that result in formulation and implementation of plans designed to achieve the company's objectives. It involves the planning, directing, organizing and controlling of company's strategy related decisions and actions. Strategy in an organization is viewed from three levels; Corporate, Business and Functional.

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The purpose of the three levels of strategy entails devising and communicating the strategic plan within a corporation to achieve increased productivity, placing decision making at the most effective level and unleashing the human capital within an organization. The strategic plan may relate to a specific project, a department, a division or the corporation as a whole. A successful strategy recognizes the environment in which it is exposed, particularly competitors and incorporates adjustment and flexibility.

Understanding the strategic position of an organization and considering the strategic choices open to it are of little value unless the strategic managers wish to follow them and can be turned into organizational action. Indeed, strategic plans cannot take effect until they take shape in action. (Johnson and Scholes, 1999). Strategy implementation is often referred to as the action phase of strategic management process.

Implementation is successfully initiated in three interrelated phases: identification of measurable and mutually determined annual objectives, development of specific functional strategies and the development and communication of concise policies to guide decisions.

Whetton and Strickland (1996) contend that strategy implementation is the full range of managerial activities associated with putting the chosen strategy into place, supervising its pursuit and achieving the targeted results. The work of implementing strategy is primarily a hands-on, close-to-the-scope administrative task. Successful strategy implementation depends on the skill of working through others, organizing, motivating and the ability to forge an institutional culture that gets things done.

2.3 Strategy Implementation

Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and fulfil stakeholder expectation. Strategy is a general plan from the way a company can deploy its skills and resources in order to achieve its overall goals.

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Strategy implementation is a process of transforming strategic intervention into actions. Implementation of the chosen strategy is by any measure one of the most vital phases in decision making process. It enhances those actions that are necessary to put the strategy into practice. Strategies are merely statements of intend and therefore cannot lead into action. It is at the implementation stage that management translates strategies and policies into action through the development of programs, budgets and procedures.

The implementation process of a strategy typically impacts every part of the organization's structure, from the biggest organizational unit to the smallest frontline work group (Thompson and Strickland, 1997). They point that every manager has to think through the question, "What has to be done in my area to implement our part of strategic plan and what should I do to get these things accomplished". All managers therefore become strategic implementers in their area of authority and responsibility, and all employees should be involved.

The main critical phase of strategic management process is translating the strategic plans into actions (Pearce and Robinson, 1997). Once strategies have been formulated, they need to be implemented for the company to attain its objectives. The strategies need to be translated from high level conceptual terms into specific policies for functional areas such as marketing, research and development, production, human resource, finance and information communication and technology.

Effective implementation results when the organization's resources and actions are tied to strategic priorities and when the success factors are identified in addition to

alignment of performance measures and reporting. Unlike strategy formulation, strategy implementation varies substantially among different types and sizes of organizations. Successful implementation is as critical and difficult as strategic choice. It requires consideration of the resources to be used; human resource requirement, the structure, system and other changes, competency in the implementation and the ability to put ideas into action can be the organization's source of competitive advantage.

Leadership plays a key role in the strategy implementation. Pearce and Robinson (1988) contend that adequate leadership will ensure that all company's efforts are united and directed towards achievement of its goals. An organization's Chief Executive Officer is the most visible and important strategy manager. To be effective in managing a change process the leader should be a visionary. He should have necessary skill and be a competent person, capable of motivating staff and handling the complexity and flexibility of change. (Thompson and Strickland, 1989).

The strategy being implemented should be realistic given the resources available to the firm and should not impose resource requirements that cannot be met. There is need for adequate administrative and procedure to be put in place. It is also necessary to build valuable core competencies and organizational capabilities that give the firm a competitive edge over rivals in performing its critical value chain activities (Thompson and Strickland, 2003).

According to Mumbua (2004), alteration of the existing procedures and policies is usually unavoidable during strategy implementation. It also requires a shift in

responsibility from strategists to divisional and functional managers to ensure effective implementation. Those who will participate in the implementation phase should also be actively involved in the strategy formulation to ensure ownership of the process.

Despite the fact that challenges to successful strategy implementation have not been widely investigated, there are some issues that have surfaced in recent studies. The most important problem experienced in strategy implementation in many cases is lack of sufficient communication (Muthuysa, 2004). Implementation of operations strategies remain one of the most difficult areas of management. Considerable thought, energy and resources are given over to devising a strategic plan. It is the fine detail of the plan that attention turns to when things go wrong (Johnson and Scholes, 2002). Mintzberg (1994) noted that the plan, rather than the implementation comes in for scrutiny, because it is less problematic to analyse. Perhaps this is because, whereas the plan can be devised under pollution-free, almost laboratory conditions, the working out of the plan takes place in the real world cluttered with real world variables (Porter, 1996). But the whole point of strategy is that it will be implemented and implemented successfully.

Strategy development and implementation should be seen together (Andrew, 1980). Person who will implement that strategic plan should be involved in its development. Separation of strategy development and implementation may lead to situation where critical implementation issues are left out of consideration during the strategy formulation phase. Effective strategy implementation becomes difficult in such cases.

2.4 Challenges of Strategy Implementation

Challenges that occur during implementation process of a strategy are an important area of research because even the best strategy would be ineffective if not implemented successfully. Despite the fact that challenges to successful strategy implementation have not been widely investigated, there are some issues that have surfaced in many studies. The most important problem experienced in strategy implementation in many cases is lack of sufficient communication (Muthuiya, 2004)

Implementation of appropriation strategies remain one of the most difficult areas of management. Considerable thought, energy and resources are given over to devising a strategic plan. It is the fine detail of the plan that attention turns to when things go wrong (Johnson and Scholes, 2002). Mintzberg (1994) noted that the plan, rather than the implementation comes in for scrutiny, because it is less problematic to analyse. Perhaps this is because, whereas the plan can be devised under pollution-free, almost laboratory conditions, the working out of the plan takes place in the real world infected with real world variables (Porter, 1996). But the whole point of strategy is that it will be implemented and implemented successfully.

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The main barriers to the implementation of strategies include the lack of co-ordination and support from other levels of management and resistance from lower levels and poor planning activities (Okumus, 2003). Fredman (2003) lists out a number of implementation pitfalls such as strategic inertia, lack of stakeholder commitment, strategic drift, strategic fatigue, impatience, and not celebrating success.

Thomas and Strickland (1998) state that the challenges of strategy implementation is to create a series of tight fits between strategy and the organization's competencies; capability and structure; between strategy and internal support system; between strategy and policy; between strategy and reward structure and between strategy and corporate culture. The problem of strategy implementation relates to situation or processes that are unique to a particular organization. Muthuiya (2004) states that the key decision makers should therefore pay regular attention to the implementation in order to focus on any difficulties that may arise and on how to address them.

David (1997) argues that allocating resources to particular divisions and departments does not mean that strategies will be successful implemented. This is because a number of factors commonly effective resource allocations remain difficult to balance. This includes overprotection of resources, too great emphasis on short term financial criteria, organizational policies, vague strategy targets, reluctance to take risks and a lack of sufficient knowledge. Also, established organizations may experience changes in the business environment that can make a large part of their resource base redundant and unless they are able to dispose off those redundant resources, they may be unable to free sufficient funds to invest in the new resources that are needed and their cost base will be too high (Johnson and Scholes, 2002)

CHAPTER THREE: RESEARCH METHODOLOGY

According to Pearce and Robinson (1997) challenges can arise when attempts are made to implement strategy. These challenges may arise from internal or external sources. They are classified in the following categories. First is poor strategy. Due to a number of reasons managers may have selected an inappropriate strategy. Implementing such a strategy therefore becomes a futile exercise. Second is poor implementation. While the strategy selected may be sound, implementation procedures can be flawed. Here again, efforts to execute strategy are impaired. Third is failure to couple strategy development and implementation. The management and all staff need to be involved in the strategy formulation so that during implementation everyone is aware of the strategic direction that the organization is taking.

Cultural impact underestimation is yet another challenge to strategy implementation. The implementation of a strategy often encounters rough going because of deep-rooted cultural biases. It causes resistance to implementation of new strategies especially in organizations with defender cultures. This is because; they see changes as threatening and tend to favour 'continuity' and 'security' (Wang, 2000). It is the strategic makers' responsibility to choose a strategy that is compatible with the 'sacred' or unchangeable parts of prevailing corporate culture (Thompson and Strickland, 1989)

CHAPTER THREE: RESEARCH METHODOLOGY

This section of the paper gives details of the research design used to achieve the objectives of the study, the source of data and how the data was analysed.

3.1 Research Design

The research was conducted by way of employing the case study design. This involves gathering opinions and views of the management of NSSF on the challenges of implementing strategy.

Case study designs are the most appropriate research designs because this is a study of a single unit or institution hence will facilitate intensive study and analysis of the same in as far as the research objectives are concerned. It is a form of qualitative analysis where the institution is studied in great detail to gather sufficient case data from which generalizations and inferences will be made.

3.2 Data Collection

The data for the research was sourced from both primary and secondary sources. The primary data was collected through an in-depth interview with the fourteen Heads of Departments distributed across the organization's departments. Open-ended questions were administered to the departmental managers by way of an interview guide by the researcher. The secondary source of data was the organization's strategic plans, internal memos, circulars and minutes of meetings called to discuss challenges of strategy implementation in the organization.

3.3 Data Analysis

All data from both primary and secondary sources was analysed to obtain information regarding challenges of strategy implementation at NSSF. The responses were checked and verified to ensure consistency, exhaustiveness and completeness in the information expected. Thus the data was edited and coded to allow for content analysis. Content analysis helps in avoiding subjectivity with the data collected.

Emphasis was given to the existence of certain concepts that are determined by the presence and frequency of certain words or phrases emanating from the interview and the responses.

3.3.1 Interviewees' Profiles

The interviewees comprised top level management of NSSF who are the Heads of departments. These were chosen because they are the ones involved in the overall strategic decision making under the chairmanship of the Managing Trustee. There are 14 departments in NSSF all headed by respective Departmental Managers. These are the people who are involved in the strategic plans formulation and overseeing implementation of the same plans. They are thus very managerial in providing information regarding the organisation's strategic plans, implementation and the challenges and the challenges the organization face in strategy implementation.

Out of the 14 departmental managers, only 10 of them were interviewed as it was not possible to acquire interview sessions with two of them who were in sabbatical and two were out of station on official duties. All the respondents confirmed that they are involved in the organisation's strategic plans as they are involved in the formulation of the same. They were also unanimous that though the plans have been covering a three years period, a decision was arrived at to extend the period to 5 years. Hence, from

CHAPTER FOUR: DATA ANALYSIS AND RESEARCH

FINDINGS

4.1 Introduction

This chapter presents the analysis of data collected from the interviews using the interview guide in Appendix I. The interviews were done with 10 of the 14 Heads of Departments across the organization. The interview guide contains 14 different questions touching on the objectives of the study.

4.2 Interviewees' Profiles

The interviewees comprised top level management of NSSF who are the Heads of Departments. These were chosen because they are the ones involved in the overall corporate decision making under the chairmanship of the Managing Trustee. There are 14 departments in NSSF all headed by respective Departmental Managers. These are the people who are involved in the strategic plans formulation and overseeing implementation of the same plans. They are thus very resourceful in providing information regarding the organisation's strategic plans, implementation and the challenges and the challenges the organization face in strategy implementation.

Out of the 14 departmental managers, only 10 of them were interviewed as it was not possible to acquire interview sessions with two of them who were in station and two who were out of station on official duties. All the respondents confirmed that they are aware of the organization's strategic plans as they are involved in the formulation of the plans. They were also unanimous that though the plans have been covering a three years period, a decision was arrived at to extend the period to 5 years. Hence, from

this year, 2009, the strategic plans formulated cover a 5 years period up to 2014 and will be reviewed after every five years. The extension of the period aims at making the plans more long term thus affording the management a chance to have broader targets and focussing the organization's resources towards attainment of the same.

Since all the respondents were heads of departments, their role in strategy

4.3 Departmental Strategies VS Organizational Strategies

All the interviewees unanimously confirmed that they have departmental strategic plans which are curved out of the overall organizational strategies. These departmental strategies are designed to help the departments to focus more clearly and aggressively towards attainment of some specific departmental goals. The broader organizational objectives are only attainable through the contribution of all the departments and hence responsibility is apportioned to all the departments. Every department is therefore expected to deliver on certain specific goals whose successful attainments contribute towards the attainment of the overall organizational objectives.

The interviewees were asked to describe if the organizational structure is to add

The interviewees concurred that the specific departmental strategies are strongly complementary to the overall organizational strategies. This accrues from the fact that the departments are only allowed to curve out their specific strategies from the broader organizational strategic plans. Thus the strategies are inherently harmonious and supportive of the organizational strategies as they are only designed to help the departments contribute effectively towards attainment of organizational strategies.

organizational structure is currently under review to try and address the needs of

4.4 Communication of the Organizational Strategies

The interviewees were asked to state how strategy is communicated within the organization and what their roles are with regard to strategy implementation. The

study established that strategy is communicated through various modes. Key among these are internal memos, circulars, meetings, intranet, newsletters and through participation in strategy formulation meetings and task-forces.

Since all the interviewees were heads of departments, their role in strategy implementation is largely team leadership as they lead and guide the implementation process within their respective departments. The Head of Department bears the greatest responsibility in ensuring the achievement of departmental goals. They therefore co-ordinate, supervise and monitor the operations of the department including the strategy implementation process. In some cases the departmental managers challenge the staff to attain higher targets and the high achievers get rewarded.

4.5 Organizational Structure and Culture

The interviewees were asked to determine if the organizational structure as it is and the institutional culture are supportive of strategy implementation.

The interviewees maintained that the organizational structure is a little too bureaucratic as a lot of authority rests with the Managing Trustee's office. No important decision is made without sanction from the top and this slows down strategy implementation. However, the respondents also confirmed that the organization structure is currently under review to try shortening the chain of command. This will help make strategy implementation achievable as roles will be clearly defined and authority proportionately distributed.

The interviewees also reiterated that the institutional culture is resistant and repulsive to strategy implementation. The organization is still held back in the old conservative public service culture. Laxity to embrace change and shake the status quo hinders strategy implementation. New strategy is perceived to bring about unpredictable change which raises performance expectation to a level that the staff fear may not be achievable. A new paradigm shift need to be introduced to disabuse the staff off this notion and help them appreciate that formulation of new strategy is aimed at promoting the interests of the organization and by extension, advancing the interests of all the stakeholders including the management and staff.

4.6 Challenges of Strategy Implementation

The interviewees were asked to identify the challenges the organization face in the course of implementing strategy. The respondents outlined various forms of challenges. The most frequently cited are such as organizational politics, resistance to change, organizational culture, communication barriers, government policies, lack of employee support and poor control of the implementation process.

NSSF being a state corporation experience a lot of interference from the political class. Though the Managing Trustee is supposed to be appointed by the Minister of Labour on the recommendation of the Board of Trustees, there are always attempts by the political class to sidestep such recommendations or arm twist the board to accept the minister's choice for the job. This makes the Managing Trustee deeply beholden to the minister and the government at large at the expense of the best interest of the organization. The same applies to the appointment of senior managers where various political players present their kin and cronies for appointment at the expense of merit

and competitiveness. This even further trickles down to the appointment of junior staff at the entry level. This results to appointment of personnel without the necessary skills and experience and thus greatly compromise their ability to formulate and competently implement the organization's strategic plans. Since the fund is bombarded with huge external interference, the organization's energies are more focused on addressing those interests as opposed to focussing on strategy.

It was also clear from the interviews that resistance to change is a major challenge to strategy implementation within the organization. NSSF has a tradition of job security where most employees have served for over 15 years. Such employees become so attached and comfortable with the tradition that they become so sceptical of any introduced changes. They would be resistant to embrace the changes as they are afraid the changes will destabilize their gained comfort. Strategy is thus perceived as introduction of such unpleasant changes and implementation of the same will not be embraced.

Resistance to change is closely related to organizational culture which was the other most prevalent challenge experienced in the course of implementing strategy.

Organizational culture is the way the management and staff perceive the very essence of the organization and how it relates with the external environment. This is developed overtime from the conception of the organization through some gradual changes to the present status. The NSSF's organizational culture is defined by laxity and slow approach to change. This breeds a culture of conservatism within the organization. Staff are so comfortable in practising tradition and are reluctant to try new ways of doing things. Consequently, the introduction of strategic plans is viewed

with scepticism that very few, if any, members of staff would enthusiastically engage in the formulation process. The implementation of the strategies is thus meted with great laxity. People get excited about new ideas at the introduction phase, but before long, they revert back to their traditional ways.

Poor communication is another challenge cited by the respondents as hindering strategy implementation. Strategy is formulated by top management but expected to be owned and implemented by all staff. That necessitates clear communication from the top about the content of the formulated strategic plans, the set targets and the implementation procedure. The organization broad strategic plans need to be broken down to specific departmental strategies designed and geared towards helping the departments attain their specific strategic goals.

There is therefore need to clearly communicate these departmental strategic plans and goals to all staff in the respective departments and help them appreciate how they contribute towards the attainment of the overall organizational strategic goals. The implementation process should also be clearly defined to all and specific roles for all staff should be made clear to all. This elaborate communication is lacking in NSSF as the strategic plans are mainly communicated through internal memos and circulars which are not detailed on what everyone is expected to play. Regular departmental meetings, seminars, workshops, team building events would help with effective communication on strategic plans and their successful implementation.

It was also very clear from the interviews that poor control of the implementation process is another cause for failure of strategy implementation. The formulated

strategic plans are not accompanied with the implementation criteria and those who are involved in the overseeing and supervision of the implementation process do not closely monitor and review the process. Challenges in implementation are therefore not noted at the initial stages for timely attention and deviation from the right path equally escapes attention. The strategy implementation process should be closely monitored by those charged with the responsibility of overseeing the implementation in order to assess the progress of implementation and point out areas which may require additional resources to ensure successful implementation. Periodic reviews of the implementation process help in pointing out good performance to be rewarded for motivation and areas which require improvement. By so doing, the implementation process moves steadily.

Finally the other major challenge cited by the interviewees is government policies. NSSF being a state corporation is tied to government influence as all the government policies applicable to all state corporations are also applicable to it. Government policies formulated and reviewed from time to time spell out how certain aspects of state corporations are to be administered or carried out. For example, the appointments of Chief Executive Officers of many state corporations are vested with the ministers in charge of the respective parent ministries.

The government also sometimes may direct state corporations to create more job vacancies just for the purpose of creating jobs to reduce unemployment in the country. Such policies defeat sound management practices as a bloated workforce translate to inefficiency and low productivity. The appointment of the top management by the minister in charge also beats competitiveness in recruitment and hence the most

competent persons are denied a chance. Implementation of strategic plans is therefore a toll-order to the otherwise incompetent and bloated workforce.

4.7 Measures put in place to overcome the challenges

The interviewees were asked to point out the measures put in place by the organization to mitigate against these challenges. The respondents identified various steps the organization is undertaking ranging from staff empowerment, applying research findings, delivering on performance contracting, regular reviews and monitoring of the implementation process and involvement of staff in strategy formulation.

The respondents were unanimous that staff acceptance is key to successful strategy implementation. They pointed out that all staff need to be trained on the organization's strategic plans to fully and clearly understand the directions and objectives the organization aims to achieve. Departments are currently organizing seminars, workshops and team building events to help sensitise the staff and management on the need to change their mind-set and attitude towards changes that emanate from strategic plans.

The interviewees also reiterated that involvement of everyone in the whole process of strategy formulation from the beginning helps in acquiring the commitment of all. Involvement of all staff in the deliberations about the need to formulate strategic plans or review already existing strategic plans through the whole process of formulation and brainstorming is a key success factor to strategy implementation. The employees not only get to fully understand the contents of the plans and what is expected of them

to deliver on the set goals, but also feel appreciated and valued by the management and hence develop passion with regard to implementing the strategic plans.

Most interviewees also confirmed that the organization has a strategic planning steering committee which regularly meets to assess and monitor the progress on the implementation of the strategic plans. The committee comprises of all Heads of Departments and rotationally chaired by one of them. The committee also assesses the effectiveness of strategic plans in fostering attainment of the overall organizational objectives and initiate review of the plans when it deems it necessary.

Performance contracting is a concept introduced recently by the government in both civil service and state corporations. The Accounting Officers and Chief Executive Officers of the state corporations are required to sign performance contracts which outline the goals and objectives they hope to achieve within a financial year and they are appraised on the attainment of the same at the end of the contract period. The interviewees also observed that delivering on performance contracts has helped a lot to achieve success in implementation of the strategic plans because the strategic plans are basically designed to guide the attainment of the performance contract objectives. This trickles down to the lower management and all employees as they are all required to deliver on certain specified goals and objectives.

The study also revealed that the introduction of a staff reward system has helped a lot in motivating employees in attaining their specific targets. These targets embody the departmental strategic plans and their attainment translates to successful implementation of the strategic plans. The staff who successfully deliver on their set

targets get rewarded by way of promotion and salary increments and those who lag behind are reprimanded. This inspires motivation and threat respectively.

RECOMMENDATIONS

Lastly, the respondents suggested that reduction or elimination of government interference on the affairs and operations of the state corporations would go a long way to ensure successful strategy implementation. Government interference forces implementation of policies outside the designed strategic plans. To achieve this, there is need to sensitise all the stakeholders including the government on the strategic direction the organization has to take in order to attain higher levels of performance and impress on them the need for their commitment and support to the cause.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusions and recommendations of the study. The conclusions are made on the basis of the objectives this study was set to achieve.

5.2 Summary and Conclusion

The study was designed with the purpose of identifying the challenges faced by NSSF in implementing strategy and the measures taken by the organization to address these challenges. From the interviews that were done with the Heads of Departments from various departments of NSSF with the aid of an interview guide, the study disclosed the various challenges that the organization faces with regard to strategy implementation. Key among these are such challenges as organizational politics, resistance to change, poor communication, government policies and poor control of the implementation process.

5.2.1 Limitations of the Study

Organizational politics is brought about by favouritism in job appointments whereby forces from within and without the organization exercise influence to have relatives and friends get appointed to job position at the expense of merits. This beats the organizational policy of competitiveness in appointments. Resistance to change emanate from the natural human desire to maintain the status quo and remain in the comfort zone. Strategic planning is viewed as introduction of changes which threaten the acquired comfort and hence they are frowned upon. Poor control of the

implementation process on the other hand leads to delay in detection of challenges and the resultant employment of the appropriate corrective measures.

The study further found out that the organization has responded to the challenges in several ways. These are measures such as sensitization of staff on the organization's strategic plans, involvement of all staff in the formulation and implementation processes, regular reviews and monitoring of the implementation process, employment of competent personnel and reduction of government control on the affairs and operations of the organizations. These measures have gone a long way to help the employees understand clearly what is expected of them in delivering on the strategic goals and develop ownership for the strategic plans thus reducing resistance to change. Challenges are also timely detected and corrective measures are put in place to overcome the implementation challenges and finally the government is slowly easing out its control on the operations of the organization. Thus the company is now able to execute its mandate and pursue its objectives on the basis of sound management practices devoid of political interests.

5.3 Limitations of the Study

The biggest challenge towards data collection was getting interview sessions with the fourteen Heads of Departments of the organization. These are very senior managers with a lot of work load on their tables and faced with the requirement to attend unending board room and departmental meetings. Procuring appointments with them from their busy schedule was thus a big challenge but generally they were very supportive and willing to co-operate. All they required is satisfaction that the Managing Trustee has given authority to the request for the study.

5.4 Recommendations

The study is valuable to the management of NSSF, the government, the labour unions, researchers and the general public at large. The findings of the study show that there are several challenges that mitigate against implementation of strategy and also point out the various measures the firm has put in place to overcome these challenges.

So far, the measures put in place are fairly effective in countering the implementation challenges but still more needs to be done to propel the organization to greater heights of performance and service delivery. It should be noted that the global macroeconomic environment is rapidly dynamic and all companies need to embrace change to meet the market expectations and stay ahead of competition. This study therefore recommends that the management of NSSF adopts a proactive approach to strategy development as opposed to delayed reaction to environmental dynamics. This enables the fund to deliver world class service and create grate value to its customers.

5.5 Areas for further Research

This study concentrated on the challenges of implementing strategies at NSSF and the measures the organization is undertaking to counter these challenges. The effectiveness of these measures in addressing these challenges has not been ascertained conclusively. There is therefore need to carry out further research on the responsiveness of these measures put in place by the organization in addressing the implementation challenges. There is also need to find out if there could be other more effective and efficient measures that the organization could borrow from best practices elsewhere in order to optimally address the challenges that bedevil its cause for successful strategy implementation.

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The data you will give us will be treated with strict confidentiality and will be used only for research purposes.

Thank you

Yours sincerely,

Wang Shijun

Dr. Mohamed

MBA student

Lecturer, ILOH

APPENDIX 1: RESPONDENT'S LETTER

JULIUS S. SEKOYO
P.O BOX 34800 – 00100
NAIROBI

Date:

Dear Respondent,

RE: MBA RESEARCH PROJECT

I am an MBA student at the University of Nairobi undertaking a research on **“Challenges of Strategy Implementation within the Kenyan Public Corporations: The Case of NSSF”** as a requirement for the award of the degree of Master of Business Administration (MBA).

The data you will provide will be treated with utmost confidentiality and will be used solely for academic purposes.

Thank you.

Yours faithfully,

Julius Sekoyo

MBA student

Dr. Mohamed

Lecturer, UoN

APPENDIX 2: INTERVIEW GUIDE

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
DEPARTMENT OF BUSINESS ADMINISTRATION
MBA STUDY INTERVIEW GUIDE

NB: The information collected in this interview guide will be treated confidentially and will NOT be used for other purposes other than academic.

- 1) What's your job title?
- 2) Which department or area of management do you head?
- 3) How many years have you worked at NSSF?
- 4) Are you aware of the organization's strategic plans?
- 5) What time frame do they cover?
- 6) Do you have departmental strategies?
- 7) To what extent do you think that your departmental strategy is complementary to the overall organizational strategy?
- 8) How is strategy communicated within the organization?
- 9) Does the current organizational structure support implementation of the strategic plans?
- 10) Who is responsible for strategy implementation in your department?
- 11) What role do you play towards strategy implementation?
- 12) How would you describe the institution's culture in its support for strategy implementation?
- 13) What challenges does the organization encounter in the course of strategy implementation?
- 14) What measures has the organization put in place to overcome these challenges?