CHALLENGES FACING STRATEGY IMPLEMENTATION IN NATIONAL OIL CORPORATION OF KENYA

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DECLARATION

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

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

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DEDICATION

This study is dedicated to my children Joshua Kibet and Caleb Kiptoo and my husband Peter Kwambai who, by their love and encouragement made an extensive contribution to this undertaking, their enthusiasm and patience enabled me to bring this undertaking to conclusion. To my industrious father Peter Rotich who was a great inspiration but did not live to witness my progress in education and my mother Betsy Rotich who has always been a beacon of hope in life. To my colleagues whose encouragement and support made this undertaking possible and rewarding.
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Strategic management is fundamentally about setting the underpinning aims of an organization, choosing the most appropriate goals towards those aims and fulfilling both over time. In the strategy implementation, often called the action phase, the firm is required to translate its strategies and policies into action through the development of specific budgets and procedures. Strategy may fail to achieve expected results especially when the strategy execution is flawed. The failure to execute is a major concern of executives because it limits organizational growth, adaptability and competitiveness. National Oil is a unique company in Kenya since it's the only National Oil Company in Kenya mandated by the government to provide stability in the supply and pricing of petroleum products owing to the fact that energy consumption levels are a key indicator of the economic activity in the country. This study investigated challenges facing strategy implementation at Nation Oil Company. The objective of the study was to establish the challenges affecting implementation of strategic choices at the National Oil Corporation of Kenya.

The study adopted a case study approach. The case study was preferred for the study because the design provides an in-depth understanding of the cases under study. In this context, the study provides an in-depth understanding of the challenges of strategy implementation in National Oil. The respondents of the study are senior managers and mid-level managers. Interview guide was used to gather information from the target respondents outlining issues relevant to the study. The collected qualitative data from the interview guides was analyzed using content analysis.

From the findings the study concluded that technology in the ERP (trade union) that has been implemented has many setbacks. Further, the technology in the National Oil Company is faced by the challenge of expensive implementation of ERP and slow integration process of the new system. The ERP and fuel FACS allow for control loading operation and hence shortcoming in implementing.
The study concluded that poor road infrastructure, inadequate pipeline infrastructure was also found to be a challenge because it leads to products rationing especially in West Kenya depots, constrained expansion into new markets and market share and this leads to stock-outs and therefore the customers are not satisfied.

The study concludes that the inability to source competitively and access new market opportunities and later competitive pricing is lacking in the National Oil Company. Also the unfair business practices bring about the harmful competition for example saga, K.K case. It was also found out that some multinational corporation gets support from their mother companies unlike the National Oil Company and this make difficult to compete with such kind of the company explaining that multinational already have the stamina and can change prices because they already have a good retail network and this affects the National Oil Company in their marketing of products.

The study also concludes that the National Oil Company was facing challenges of Limited supply facilities in strategy implementation process as it has only established one depot in Nairobi and operation in other major towns like Mombasa depends on the hospitality management leading to tracking of product from Nairobi at hails. Also the retail outlets are insufficient in the Nairobi region, lack of filling plant and blending plant frustrated by hospitality arrangement with competitions.

National Oil organization structure, Lack of Support and resistance and alignment of cross function relation in terms of target signing homogenization are the other challenges facing strategy implementation. The study further concludes that the company corporate strategy was yet another challenge facing implementation of strategy in National Oil Company. Some strategic goals for example reaching the strategic reserves for the country is pegged on the government policy on the source and some other external challenges like economic status of the country.
The study also concludes that inadequacy of finances and human resources hinder the strategy implementation but on the other hand the physical and technological resources were adequate for the strategy implementation. This clearly indicated that insufficiency fund and insufficient personnel’s in the company were challenges facing implementation of strategies in the Company.

The study further concludes that the existing polices in National Oil Company which include guidelines, methods, procedures, rules, norms and administrative practices public procurement and disposal act hinders strategy implementation its delaying long procedures which results to loss o sales and delayed services delivery.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study.

In the strategy implementation - often called the action phase - the firm is required to translate its strategies and policies into action through the development of specific budgets and procedures. In this phase, the necessary changes are also made within the organizational culture, structure (divisions, departments, products), and the relationships between these elements and the managerial levels among the top, middle and lower levels of the organization (Walsh, 1995).

Strategic business plan and its implementation are the 'heart and soul' of any business organization and operation. A business's strategy is its game plan. Management use it to stake out a market position, conduct its operations, attract and please customers, compete successfully, and achieve organizational objectives. It is the focal point of the business practices and competitive strategies in the operational management (Sadler and Gough, 2005 and Chan, 2005). Excellent implementation, on the other hand is the best test of managerial excellence; that results in the most reliable recipe for turning companies into stand – out performers.

1.1.1 Strategic management process

Strategic management is fundamentally about setting the underpinning aims of an organization, choosing the most appropriate goals towards those aims and fulfilling both over time. Rantakyro (2000) posits that strategic management can be defined as the art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives. Karami (2005) hold that this definition implies that strategic management focuses on integrating managerial abilities and techniques to achieve organizational success.

According to Johnson and Scholes (2002), strategy has to do with how an organization matches
its internal and external environment and the management process is concerned with how to maintain, stabilize or change that position. The strategic management process is defined as a process to analyze and learn from the internal and external environments in order to establish direction and create strategies to achieve business goals; the management process would result in a plan to maintain, stabilize or change the organization’s market position.

Pearce II et al (2003) advance a simple strategic management model that includes steps as: analysis, direction setting, developing strategies, implementation and control. The strategic management process is an ongoing cyclic process. Strategy management is the set of decisions and actions that result in formulation and implementation of plans designed to achieve a company’s objectives. Pearce and Robinson (1994) hold that even after the grand strategies have been determined and the long term objectives set, the strategic management process is far from complete. The strategic managers now move into a critical new phase of translating strategic thought into organizational action. That is, strategy implementation stage. Johnson and Scholes (2002) underscore that understanding the strategic position of an organization and considering the strategic choices available is of little value unless the strategy managers wish to follow what is turned into organizational action.

Although strategy implementation is viewed as an integral part of the strategic management process, little has been written or researched on it (Awino, 2001). Indeed, strategies cannot take effect until they take shape in action. Such actions take the form of day to day processes and relationships that exist in organizations; and these need to be managed, desirably in line with the intended strategy. This study therefore undertakes to study elucidate the challenges of strategy implementation in National Oil Corporation which participates in the competitive sector of the economy.

1.1.2 Implementation of strategic change

Change involves moving from a present state through a transition state to a future desired state (Gongera, 2007). Sandra (2003) posits that change can be regarded as a process of analyzing the past to elicit the present actions required for the future. Pearce and Robinson (2003) observe that
after the grand strategies are determined and long term objectives set, the tasks of operationalizing, institutionalizing and controlling the strategy still remain. This phase of the strategic management process entails translating strategic thought into strategic action. Annual objectives, functional strategies and specific policies provide important means of communicating what must be done to implement the overall strategy. By translating long term intentions into short-term guides to action, they make the strategy operational. But strategy must also be institutionalized to permeate the very day-to-day life of the company if it is to be effectively implemented. Three organizational elements provide the fundamental long term means for institutionalizing the firm's strategy that is structure, leadership and organizational culture.

Strategy implementation requires the presence of both external and internal environmental factors. Factors emanating from external environment are mainly raw materials, human resources and fuels. Those factors that come from the internal environment are: machinery, qualified personnel, financial strength, leadership and management styles and marketing capabilities.

1.1.3 National oil corporation of Kenya (National Oil)

National Oil was incorporated in April 1981 and charged with participation in all aspects of the petroleum industry. The company has a 100% Kenya Government shareholding. The formation of National Oil was precipitated by the oil crisis of the 1970's (1973/74 and 1979/80) and the correspondent supply disruptions and price hikes which resulted in the country's oil bill comprising of almost one third of the total value of imports and therefore making petroleum the largest single drain of Kenya's foreign exchange earnings. In the national interest it was therefore felt necessary to have greater control of this crucial factor of the performance of the economy by having a company, which would act as an instrument of government policy in matters related to oil.

Since 1984, when National Oil became operational, one of the major activities has been the spearheading of petroleum exploration on behalf of the Kenya government – upstream activities. Even though there has been no commercial discovery to date, a lot of data showing positive prospects have been acquired. This has raised optimism that if the current momentum for
intensive exploration work is sustained, an economic discovery will be made. The role of National Oil in petroleum exploration includes; overseeing the fulfillment of petroleum exploration companies' obligations in accordance with contracts signed with the Kenya Government, providing and disseminating exploration data from various activities in form of reports and promoting the same to oil companies in order to attract them to do exploration in Kenya, undertaking various exploration works in various basins in accordance with available capital outlay, technical expertise and equipment available, to manage on behalf of the government storage and disposal of government’s share of oil after discovery.

National Oil started downstream activities in March 1988 with the importation of the first crude oil cargo. This was in fulfillment of the government mandate for National Oil to supply 30% of the country’s petroleum requirements. These supplies were sold to major oil marketers at a small margin in bulk prior to processing. One of the other major roles at this time was to act as an advisor of the government on pricing and other related oil policies. National Oil’s experience in procurement prevented the award of unjustified price increase to the oil marketers. In some instances, the corporation undertook to bring in all the country’s petroleum crude and finished products requirements when private companies declined to do so in order to pressurize the government to concede on their demands for price increases. This was especially evident during the 1989/90 Gulf War when National Oil’s imports sustained the country for about six weeks. By this move, Kenya was the only country in East and Central Africa, which did not experience a shortage of products.

Kenya is net importer of petroleum products having not discovered any commercially viable reserves of its own. Despite the high consumption of petroleum products within the country, demand has been curtailed by supply constraints from among others the following challenges. Inadequate infrastructure in terms of pipeline capacity and poor rail system to back up the distribution of Oil products in the parts of the country which contribute to increased prices. Another challenge is bureaucracy. Being a state owned corporation, decision making process is slowed down by many meetings and seeking consent from the parent Ministry of Energy.
Technology has also been a problem to the company. The software is inefficient leaving room for loopholes that could lead to risks like losses and theft. Order processing is hampered by programmes installed like oracle. This system is not all inclusive and some line of products like lubricants is processed manually.

The company also faces stiff competition from other oil companies operating in the same environment. Some of which are established multinational companies. Pricing policy is poor and often delayed to match market demand. There are sporadic price increments in the oil industry leading to unpredictability of prices. There is proliferation of substandard fuel dispensing facilities coupled with adulteration of motor fuels and dumping of expert products. Limited supply facilities for fuels including LPG are also a challenge to the company. Large turnover of employees due to lack of motivation and limited upward mobility affects overall company performance.

1.2 Statement of the Problem

Since October 1994 when the oil industry was deregulated, the mandate of National Oil Corporation to import 30% of the country's crude oil requirements ceased and it has been marketing petroleum products to the final consumers thereby getting into a competitive industry. In 1997, after the first three petroleum stations were completed, National Oil moved on to retail sales. National Oil acquired ten petrol station sites in 1995 - 1997 to build retail outlets. Out of these sites, six have been developed to fully-fledged stations. These stations all have a forecourt, service, shop and restaurant facilities expected from a modern service station. National Oil has since acquired sixty service stations from individuals and other oil marketers such as thirteen stations from BP and thirty three stations from Somken. Currently, National oil has sixty seven service stations spread across the country. It has also entered into market segments which include LPG, and fuel oil. National Oil's share of the domestic market is approximately 5% currently.

National Oil Corporation strategic intent is to be the premiere regional energy company in Africa, providing a full range of downstream services and supporting an active exploration program in Kenya and Africa. For the period ending 2013, the company focuses on: achieving
market leadership in commercial operations in Kenya, developing strategic infrastructure, and initiating active exploration.

Mintzberg and Quins (1991) state that 90% of well formulated strategies fail at the implementation stage. David (1997) claim that only 10% of formulated strategies are successfully implemented. Schaap (2006) observe that strategy implementation or strategy execution is the most complicated and time consuming part of strategic management. While strategy formulation is primarily an intellectual and creative act involving analysis and synthesis, implementation is a hands-on operation and action oriented human behavioral activity that calls for executive leadership and key managerial skills. In addition, implementing a newly crafted strategy often entails a change in corporate direction and frequently requires a focus on effecting strategic change.

The reasons that have been advanced for the success or failure of the strategies revolve around the firm between the structure and strategy, the allocation of resources, the organizational culture, leadership, rewards as well as the strategy itself. A number of scholars have researched on challenges faced in strategy implementation. These include Lucy (2008), Kimeli (2008) researched on KRA, and Githui (2006) among others. None of these studies have touched on implementation and challenges faced by National Oil while implementing strategic choices. Also National Oil is a unique company in Kenya since it's the only National Oil Company in Kenya mandated by the government to provide stability in the supply and pricing of petroleum products owing to the fact that energy consumption levels are a key indicator of the economic activity in the country.

1.3 Objectives of the study

The study focused on the following objectives

i) To describe observable strategic plan in the National Oil Corporation.


ii) To determine the effect of the organization’s characteristics on the implementation of its strategy.

iii) To deduce the contribution of the company’s mission, vision and espoused values to strategy implementation.

iv) To identify challenges facing the implementation of strategy at National Oil Corporation.

1.4 Significance of the Study

The data was collected and conclusions that were drawn from this study may enable managers to understand the relationship between the organization and implementation of its strategic plan, from which they can form a basis for improving their strategic capacity. It may also assist stakeholders in the energy sector to recognize the importance of establishing organizational strategy that would enable employees to integrate achievement of organizational goals, vision, mission and routine with fulfillment of personal goals. The study will help generate knowledge that could be utilized to sensitize managers on organizational strategic management that will enhance effective corporate management.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
A brilliant strategy that cannot be implemented creates no real value. Effective implementation begins during strategy formulation when questions of "how to do it?" should be considered in parallel with "what to do?" Effective implementation results when organization, resources and actions are tied to strategic priorities, and when key success factors are identified and performance measures and reporting are aligned (Deloitte and Touche, 2003).

It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation) (David, 1997). The strategic-management process does not end when the firm decides what strategy or strategies to pursue. Strategy formulation and implementation differ in many ways. For example, strategy formulation is positioning forces before the action while implementation is managing the forces during the action. Unlike strategy formulation, strategy implementation varies substantially among different types and sizes of organizations (Alexander, 1985).

Implementation of strategy calls for alteration of existing procedures and policies. In most organizations, strategy implementation requires shift in responsibility from strategists to divisional and functional managers (Kazmi, 2002). It is therefore important to ensure that there is a shift in responsibility to ensure successful implementation. The implementers of strategy should therefore be fully involved in strategy formulation so that they can own the process.
2.1 Tools for Successful Strategy Implementation

2.1.1 Annual Objectives

Annual objectives serve as guidelines for action, directing and channeling efforts and activities of the organization’s members. They provide a source of legitimacy in an enterprise by justifying activities to stakeholders (Alexander, 1985). They serve as standards of performance and as such give incentives for managers and employees to perform. Annual objectives provide a basis for organizational design. According to David (1997), annual objectives are essential for strategy implementation because they: Represent the basis for allocating resources, are primary mechanism for evaluating managers are the major instrument for monitoring progress toward achieving long-term objectives and establish organizational, divisional and departmental priorities.

Annual objectives translate long-range aspirations into this year’s targets. If well developed, these objectives provide clarity, a powerful motivator and facilitator of effective strategy implementation (Pearce and Robinson, 1994). Annual objectives add breadth and specificity in identifying what must be accomplished to achieve long term objectives (Stalle, et.al. 1992).

Annual objectives should be consistent across hierarchical levels and form a network of supportive aims. They should be measurable, consistent, reasonable, challenging, clear, communicated throughout the organization characterised by an appropriate time dimension, and accompanied by commensurate rewards and sanctions (Bonomo, 1984). Annual objectives should be compatible with employees and managers’ values and should be supported by clearly stated policies (Tregoe and Tobia, 1997).

2.1.2 Policies

Policy refers to specific guidelines, methods, procedures, rules, forms, and administrative practices established to support and encourage work toward stated goals (David, 1997) According to Pearce and Robinson (1994), policies are broad, precedent-setting decisions that guide or substitute for repetitive managerial decision making and therefore are directives.
designed to guide the thinking, decisions, and actions of managers and their subordinates in implementing a firm’s strategy. Policies set boundaries, constraints and limits on the kinds of administrative actions that can be taken to reward and sanction behaviour, they clarify what can and cannot be done in pursuit of an organization’s objectives (Galbraith and Nathanson, 1978).

Policies let both employees and managers know what is expected of them, thereby increasing the likelihood that strategies will be implemented successfully. Whatever their scope and form, policies serve as a mechanism for implementing strategies and obtaining objectives. Policies represent the means for carrying out strategic decisions and hence should be stated in writing whenever possible (Hussey, 1988).

2.1.3 Functional Strategies
Each department in a company faces its own set of problems and has developed distinctive traditions. So when a change in business strategy is announced, departments don’t automatically revise their actions, instead, the fitting together of the new strategy with behaviour within a department calls for considerable managerial skills (Kazmi, 2002). It is important therefore to have close linkages between business strategy and the actions of department managers. Serious efforts to fuse department programs with strategic moves at the business level are important. This is because, execution of strategy is frequently held back or distorted at the department level while sometimes the business strategy itself may be unrealistic. In some business organizations, a single industry outlook is unlikely to fit all departments. The outlook in these diverse industries should be taken into account when specific strategy is being developed. Department’s viewpoints should be closely linked to the business strategy (Johnson and Scholes, 2002).

2.2 Institutionalization of the Strategy
Although annual objectives, functional strategies, and specific policies provide important means of communicating what must be done to implement the firm’s strategy, more is needed to implement that strategy successfully (Pearce and Robinson, 1994). Strategic implementation is
likely to be successful when a congruence is achieved between several elements (Aosa, 1992).

There are two categories of these elements. These are structure and process elements. Structure defines the configuration of a company showing relationships that exist between the various parts of the company. On the other hand, process elements include leadership, culture, resources and other administrative procedures (Learned et al. 1969).

2.2.1 Structure

Successful strategy implementation depends in large part on the firm’s primary organizational structure. Organizational structure plays a crucial role in defining how people relate to each other and in influencing the momentum of change (Clarke, 1994, Dawson, 1994). It is through structure that strategists attempt to position the firm so as to execute its strategy in a manner that balances internal efficiency and overall effectiveness (Galbraith and Nathanson, 1978). Structure of a company should be compatible with the chosen strategy. If there is incongruence here, adjustments will be necessary either for the structure or the strategy itself.

2.2.2 Systems

Attention to the development of systems and procedures is also an integral part of the problem of co-ordinating efforts to achieve key strategic purposes (Reed and Buckley, 1988). The integrating potential of computer systems provides opportunities for managing chains of activities more effectively and coping with linkage problems (Saunders, 1994).

2.2.3 Shared Values (Culture)

Organizational (corporate) culture is the set of important assumptions (often un-stated) that members of an organization share in common. There are two major assumptions in common: beliefs and values (Pearce and Robinson, 1988). Culture affects not only the way managers
behave within an organization but also the decisions they make about the organization’s relationships with its environment and its strategy (Lorsch, and McCarthy, 1988). An organization’s culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values which the management devotes considerable time to communicating to employees, and which values are shared widely across the organization (Deal and Kennedy 1982).

Aosa (1992) stated that it is important that the culture of a company be compatible with the strategy being implemented. Deshpande and Parasuraman (1986) argued that companies can run into trouble when they fail to take into account their corporate cultures as they make changes in their strategy. Managerial behaviour arising out of corporate culture can either facilitate or obstruct the smooth implementation of strategy. A major role of the leadership within an organization is to create an appropriate strategy-culture fit (Kazmi, 2002).

Peter and Waterman (1982) argued that corporate culture is one of the important attributes characterising the management of excellent companies. Such companies achieve a fit between their strategies and culture. Lack of compatibility between strategy and culture can lead to high organizational resistance to change and de-motivation which can in turn frustrate the strategy implementation effort (Aosa, 1992).

2.2.4 Skills (Management)
As companies change and as skills and expertise become recognized as major assets of the firm, then heightened efforts in cultivating and enhancing them becomes significant part of developmental strategy (Saunders, 1994).

2.2.5 Staff (Management)
Recruitment and staff development strategies need to support the other factors. In addition, aspects of job design, reward packages and conditions of work have to be carefully considered to balance the needs of the organization with conditions of the labour market and the hopes and expectations of people (Saunders, 1994).
2.2.6 Style (Leadership)

The role of appropriate leadership in strategic success is highly significant. It has been observed that leadership plays a critical role in the success and failure of an enterprise (Kazmi, 2002). Adequate leadership is needed for effective implementation of strategy as this will ensure that all company efforts is united and directed towards achievement of company goals (Learned et. al., 1983, Pearce and Robinson, 1988). Chief executives should play a leading role by helping in setting company values and giving a positive lead (Roy, 1984). Cluck (1984) argues that the chief executive role of developing motivational systems and management values is critical to the success of a company. While Lewis (1984) argues that the CEO have to be somebody who can create organizations and corporate cultures capable of integrating a wide range of different, but critical areas of expertise in the organizations they manage.

2.3 Challenges of Strategy Implementation

There are many organizational characteristics, which act to constrain strategy implementation. Of particular importance are structure, culture, politics and managerial style (Burns, 1996).

It should be recognized that how top managers conceive strategies are not the same as how those lower down in the organization conceive of them (Johnson and Scholes, 2002). Therefore there needs to be ways of relating the strategic direction to the everyday realities of people in the organization. It is therefore vital that middle managers are engaged with and committed to such strategies so that they can perform this translation process (Kazmi, 2002).

All organizations have at least four types of resources that can be used to achieve desired objectives; financial resources, physical resources, human resources, and technological resources (Thompson, 1990). Resource allocation is a central management activity that allows for strategy execution. Strategic management enables resources to be allocated according to priorities established by annual objectives. Organizations may be captured by their resource legacy or assumptions people make about what resource priorities really matter (Johnson and Scholes, 2002).
A number of factors commonly prohibit effective resource allocation. These include an overprotection of resources, too great an emphasis on short run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge (David, 1997).

Resource allocation of an organization is dependent on the kind of structure the organization has. There is no one optimal organizational design or structure for a given strategy or type of an organization (David, 1997 and Pearce and Robinson, 1994).

When an organization changes its strategy, the existing organizational structure may become ineffective (Wendy, 1997). Symptoms of an ineffective organizational structure include too many levels of management, too many meetings attended by too many people, too much attention being directed toward solving interdepartmental conflicts, too large a span of control; and too many unachieved objectives (David, 1997). Changes in structure should not be expected to make a bad strategy good, or to make bad managers good, or to make bad products sell (Chandler, 1962).

Staff control of pay systems, often prevents line managers from using financial compensation as a strategic tool (David, 1997). How can an organization's reward system be more closely linked to strategic performance? Incentives such as salary raises, stock options, fringe benefits, promotions, praise, criticism, fear, increased job autonomy, and awards can encourage managers and employees to push hard for successful strategic implementation (Johnson and Scholes, 2002).

Strategists should strive to preserve, emphasis, and build upon aspects of an existing culture that support proposed new strategies. Culture may be a factor that drives the strategy rather than the other way round (Kazmi, 2002). If the existing culture is antagonistic to a proposed strategy then it should be identified and changed. People can be captured by their collective experience
rooted in the past success and organizational and institutional norms (Johnson and Scholes, 2002). Changing a firm’s culture to fit new strategy is usually more effective than changing a strategy to fit existing culture (David, 1997).

2.4 Challenges faced by organizations in implementing strategic change

Lippitti (2007) observes that strategy may fail to achieve expected results especially when the strategy execution is flawed. The failure to execute is a major concern of executives because it limits organizational growth, adaptability and competitiveness. Executives are not judged by the brilliance of their strategy, but by their ability to implement it. The challenge is how to close the gap between strategy and actual results. Lepsinger (2006) similarly holds that true leaders have a clear vision and are 100% committed to pursuing it. The researcher states that something often goes wrong as the leaders try to bring their vision to life. He calls this the "strategy-execution gap". Pryor, et al (2007) concur that without coherent aligned implementation, even the most superior strategy is useless. He adds that most strategic planning efforts fail during this crucial phase, wasting significant resources already invested.

Hamel, et al (1994) advance that the strategic change process has been characterized as being highly complex, politically laden, affecting large parts of an organization and driven by the upper level managers. Lippitti (2007) posits that in the rush to act on strategy, too little attention is paid to finding the best implementation initiatives. Shortcuts such as repackaging existing projects which appear to support the new strategy cannot work because while strategic plans can be copied, execution cannot be duplicated. Execution must address the intangibles of cross functional integration, reward systems, and cultures as well as the tangibles captured in most planning documents. For many firms, false starts, delays and confusion characterize implementation.

To implement chosen strategies, there are many important decisions to make such as how to structure the Company. The organizational structure has to support the strategies. Structuring the organization involves decisions about how to coordinate activities, relationships and
communication among the internal stakeholders. The organization can be structured by focusing on functionality, products, markets, projects or cooperation (Rantakyro, 2000).

Without a strong professional leadership in a firm, constructive change is not possible. Strategy is formulated at the top of the firm, but executed from bottom up. Thus alignment within the firm is required in order to execute strategy. Majority of firms fail to execute because they do not focus resources on priorities and in majority of cases, employees have not been informed of the strategy. Another reason why firms fail is lack of management and accountability. Management training programs have become a popular and effective means to meet this need (Boomer, 2007).

Pearce and Robinson (2003) argue that while structure provides overall framework for strategy implementation, it is not in itself sufficient to ensure successful execution. Within the organizational structure, individuals, groups and units are the mechanisms of organizational action. And the effectiveness of their actions is a major determinant of successful implementation. In this context, two basic factors encourage or discourage effective action - leadership and culture. Two leadership issues of fundamental importance here are the role of the Chief Executive Officer (CEO) and the assignment of key managers.

Pearce and Robinson (2003) observe that the CEO is the catalyst in strategic management. He or she is most closely identified with and ultimately accountable for a strategy’s success. In most firms, CEOs spend 80% of their time in developing and guiding strategy. The nature of the CEO’s role is both symbolic and substantive in strategy implementation. First, the CEO is a symbol of the new strategy. His or her actions and perceived level of commitment to a chosen strategy, particularly if the strategy represents a major change, exerts significant influence on the intensity of subordinate managers’ commitment to the implementation process. Secondly, the firm’s mission, strategy and key long term objectives are strongly influenced by the personal goals and values of its CEOs. The CEO represents an important source for clarification, guidance and adjustment during implementation.
The writers argue that successful strategy implementation is directly linked to the unique characteristics, orientation and actions of the CEO.

According to Pearce and Robinson (2003), a key concern of top management in implementing strategy particularly if it involves a major change is that the right managers are in the right positions for the new strategy. Confidence in the individuals occupying pivotal managerial positions is directly and positively collated with the top management’s expectation that the strategy can be successfully executed. Some of the characteristics to look out for include ability and education, previous track record and experience, personality and temperament. These combined with gut feeling and top managers’ confidence in the individual provide basis for this key decision. One practical consideration in making key managerial assignments when implementing strategy is whether to emphasize current (or promotable) executives or bring in new personnel. This is obviously difficult, sensitive and a strategic issue.

Johnson and Scholes (2002), note that culture is a strength that can also be a weakness. It’s strong because it eases and economizes communication, facilitates organizational decision making and control and may generate higher levels of cooperation and commitment in the organization. This results in efficiency. The stronger the culture, the greater the efficiency. However, culture becomes a weakness when important shared beliefs and values interfere with the needs of the business, its strategy and the people working on the company’s behalf. A company’s culture can be a major strength when it is consistent with the strategy and thus can be a powerful driving force in implementation.

However, a culture can also prevent a company from meeting competitive threats or adapting to changing economic and social environments that a new strategy is designed to overcome. Social processes can also create rigidities if an organization needs to change their strategy. Resistance to change may be “legitimized” by the cultural norms.
According Johnson and Scholes (2002), what makes organizations work are the formal and informal organizational processes. These processes can be thought of as controls on the organizational operations and can therefore help or hinder the translation of strategy into action. Processes range from formal controls (systems, rules and procedures) through social controls (culture and routines) to self controls (personal motivation of individuals).

According to Pearce and Robinson (2003), the structure is not the only means of getting things organized to implement a strategy. Reward systems, planning procedures, information and budgetary systems are other examples that should be employed. According to Meyer and Stensaker (2006), organizations need to develop capacity for change by allocation and development of change and operational capabilities that sustain long term performance. They argue that making change happens without destroying well-functioning aspects in an organization and harming subsequent changes requires both capabilities to change in the short and long term and capabilities to maintain daily operations. Johnson and Scholes (2002) assert that resource management and development must support an organization's strategy. Information is also a key resource of particular attention with the rapid advances in information technology. These developments in the ability to access and process information can build or destroy an organization's core competencies. Changing capability in access to and processing of information also has important implication for issues of structures and processes within and between organizations.

Money is a key resource to all organizations. Most strategic development and implementation require funding. Management of finance can be a key determinant of strategic success. The final resource is technology development. This will affect the competitive forces on an organization and also its strategic capability. Therefore the ways in which technology is developed, exploited, organized and funded will influence the success or failure of strategy. Competence in separate resource areas is not enough. Organizations need to be able to integrate resources to support current strategies and to develop new strategies (Johnson and Scholes, 2002).
2.5 Factors that Influence Strategy Implementation

For successful strategy implementation, an organization should understand the impact on strategy of external environment, internal resources and competences, and the expectations and influence of stakeholders (Johnson and Scholes 2002, Pearce and Robinson, 1994).

The organization exists in the context of a complex commercial, political, economic, social, technological, environmental and legal world. This environment changes and is more complex for some organizations than for others (Thompson, 1997). For successful strategy implementation it is important for the company to understand historical and environmental effects as well as expected or potential changes in environmental variables (Johnson and Scholes, 2002).

The resources and competences of the organization make up its strategic capability, which enables success in implementation of chosen strategies. Just as there are outside influences on the organization and its choice and implementation of strategies, so there are internal influences (Reed and Buckley, 1988). These internal influences constitute strengths and weaknesses. Competences such as skills and know-how enhance successful strategy implementation.

With the changing environment, there emerge a number of influences on an organization’s purpose. Questions on who should the organization primarily serve and how should managers be held responsible influence strategy implementation. The changing expectations of different stakeholders affect the purpose and focus of the strategy (Johnson and Scholes, 2002). Cultural influences from within the organization and from the world around it also influence the strategy (Pearce and Robinson, 1994).

2.6 Theoretical underpinnings

One of the theories most frequently used to explain the implementation of strategic management and performance measurement in public entities is the agency theory. According to the agency theory (Bendor, Taylor and Gaalen, 1985), performance measurement is used in situations
of asymmetric information and uncertainty for monitoring managers and linking them with the principal. Similarly, classical contingency theory (Thompson 1967, Johnsen 2005), states that complex organizations use performance measurement to reduce uncertainty and for legitimacy.

On the other hand, institutional theory states that organizations exist in an institutional environment which defines and delimits its social reality (Scott, 1987). Given that public sector organizations are more dependent than others on legitimacy and on financial resources, the formal implementation of structures such as strategic management may be used as a sign of efficiency and good governance to respond to institutional or environmental pressure in order to secure legitimacy from constituents and resources from the institutional environment. So, public entities would adopt strategic management, BSC or other similar initiatives for different reasons including explaining performance to the principal -in local governments, are the constituents- (agency theory), reducing uncertainty and gaining legitimacy (contingency theory) and as symbol of efficiency in order to secure legitimacy and resources from the environment (institutional theory). The three theories suggest that the adoption of strategic management in local governments could take place for other reasons than effectiveness. Agency theory, contingency theory and institutional theory agree that the idea of the search for legitimacy is the driver of strategic management initiatives at local government level.

According to the OECD (2005), the following broad objectives, for which countries have adopted the formalization of targets and performance measurement can be distinguished: managing efficiency and effectiveness, improving decision-making; and improving external transparency and accountability to parliament and the public. In the context of this study, the National Oil Corporation can obtain strategy implementation by the improvement of the objectives of efficiency and effectiveness, consumer satisfaction, decision making and strategic planning, followed by the alignment of the organization to its mission, setting meaningful goals, improving resource allocation and improving accountability.
2.7 Conceptual Framework

There are three ways that one can assess the success of a strategy at its implementation stage. The success or failure of strategies will be related to three main success criteria: suitability, acceptability and feasibility (Johnson and Scholes, 2000).

Suitability - this is concerned with whether a strategy addresses the circumstances in which an organization is operating. Suitability can be thought of as a rationale of a strategy and whether it makes sense in relation to the strategic position of an organization.

Acceptability - this is concerned with the expected performance outcomes of a strategy and the extent to which these would be in line with expectations.

Feasibility - is concerned with whether a strategy could be made to work in practice. Assessing the feasibility of a strategy requires an emphasis on more detailed practicalities of re-sourcing and strategic capability. It is important to assess the organization’s capability to deliver a strategy in terms of all the resources and competences needed to succeed.
Figure 1: Conceptual Framework Model showing the interrelatedness of variables for a successful strategy implementation.

**Independent variables**

- Infrastructure
- Bureaucracy
- Technology
- Competition
- Substandard products
- Supply
- Employee turnover
- Logistics and Distribution

**Dependent variable**

Successful implementation of strategies
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This section presents the research methodology. Included here are the research design, target population, sample size and sampling techniques, research instruments, data collection procedures and finally data analysis.

3.1 Research Design
The study adopted the case study approach. The case study was preferred in this research because the study required an in depth understanding of the challenges of strategy implementation in National Oil. According to Cooper and Schindler (2005), case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The technique enabled using of information from a representative sample of the participants.

3.2 Target population
Mugenda and Mugenda (1999) define population as an entire group of individuals or events having common observable characteristics. In other words, population is the aggregate of all that conforms to a given specification. Briker (1988) defines target population as a large population from which a small proportion of population was selected for observation and analysis. This study targeted a total of 10 staff, three senior level managers and seven middle level managers. The study targeted staffs that have had a hand in strategy implementation in National Oil Corporation.

3.3 Sample size and Sampling Techniques
According to Best and Kahn (2008) the ideal sample should be large enough to serve as an adequate representation of the population about which the researcher wishes to generalize the findings. Due to the small target population and the nature of the study, all the 10 managers were
purposively sampled for the study.

3.4 Research Instruments

The main research instrument was an interview guide. The interview guide was developed by the researcher for purposes of eliciting responses from the respondents on the challenges facing strategy implementation in National Oil Corporation.

3.5 Data Collection Procedure

The researcher visited the National Oil Corporation offices for the study and made a request to the managers to participate in the study. The researcher assured respondents confidentiality by ensuring that names of participants did not appear anywhere in the instrument or in the final report of the study. The completed interview schedules were collected and put in sealed envelopes.

3.6 Data Analysis

The collected qualitative data from the interview guides was analyzed using content analysis. Content analysis is defined as a technique of making inferences by systematically and objectively identifying specific characteristics of messages and using the same to relate to trends. It provided the researcher with a qualitative picture of the respondents' concerns, ideas, attitudes and feelings. Through content analysis the researcher was able to generate a qualitative report which was presented in continuous prose.
CHAPTER FOUR
DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction
This chapter presents analysis of the research findings. The data was gathered exclusively by use of interview guides as the research instruments. The interview guides were designed in line with the objectives of the study. The interview schedule elicited data that was qualitative in nature and was analyzed through content analysis.

4.2 General Information

4.2.1 Respondents’ Departments
The study sought to establish the interviewees’ departments. From the findings, majority of the interviewees indicated that they worked in the Human resource, finance, strategic management, operations, marketing, Operation, sales and marketing, exploration, supply planning departments.

4.2.2 Interviewees’ Designation in the Department
On the interviewees’ designation in the departments National Oil, majority of the interviewees held positions such as Human resources, Strategic management, Maintenance technicians, and instrumentation engineer. Further, others held the positions of customer service executive, senior geophysicist, logistic manager, retail manager, terminal manager, supply analyst. The target population was therefore derived from personnel working in all the departments. This implies that information on challenges affecting implementation of strategies was collected from personnel who had experience on challenges facing strategy implementation at National oil Company.
4.2.3 The main responsibility of the respondent in National Oil

The study sought to describe the responsibility of the respondents in the position they hold. The maintenance technician coordinates the repair and maintenance program for equipment and facility. The senior geophysicist is responsible for coordinating geophysical studies, checking the incoming data (seismic). The customer service executive is responsible for handling customer relations. The logistic manager has a responsibility for distributing the petroleum products and supply chain management in the National Oil Company. The responsibilities of a retail manager are to maximize the sales revenue through retail channel, profitability through margin tracking and brand building through retail standards presence. The terminal manager manages the loading terminal, the supply analyst does the stocks accounting in the company. Accordingly, each of these employees experienced challenges in their day to day activities hence could provide information on challenges facing implementation of strategies at National Oil Company.

4.2.4 Duration Worked in their Current Positions

The study sought to investigate the duration over which the respondents had worked in the company. Majority of the respondents indicated that they had worked in the company for a period of between 5 and 10 years, two and a half years, one and a half years and some respondents had worked in their current positions for 14 years. This implies that the respondents had experiences of challenges facing implementations of strategies when acting in their capacity.

4.3 Challenges facing Implementation of Strategies

4.3.1 National Oil’s vision, purpose and strategic intent.

The study sought to investigate what the respondents understood of the National Oil Vision, Purpose and strategic Intent. From the findings, majority of the respondents indicated that National Oil Corporation is a world class petroleum company serving the energy needs for today and tomorrow both in the downstream and upstream not just in Kenya but in Africa. The respondents indicated that the Company’s vision was to lead in retail, distribution, services delivery and developing Kenya petroleum resources and to grow the company into a
The respondents indicated that this was covered in the company’s strategic intent for the period ending 2013.

Asked on how the company has managed to achieve market leadership, the respondents indicated that the company had developed a strategic infrastructure and initiated active exploration which will enable it to expand its network in order to serve the country and the region of Africa. On the purpose of the National Oil the respondents indicated that the company aims to provide stability in the market with the strategic intent of the company becoming a leading premier energy company in the region.

4.3.2 The vision, purpose and strategic intent has been changed in the last five years

The study sought to investigate whether the vision, purpose and strategic intent has been changed in the last five years. From the findings, the respondents indicated that the current vision, purpose and strategic intent were formulated in 2008. The vision, purpose and the strategic intent has not changed in the last five years and the present vision, purpose and strategic intent were formulated in the three (3) years ago. This implied that the vision, mission, purpose and strategic intent had not change within five (5) years in National Oil Company as the one in place was formulated in the years 2008.

4.3.3 National Oil has a mission

The study sought to find out whether the Company had a vision. From the findings, all the respondents indicated that the company had a mission statement in place which was to become the premier regional energy company in Africa.

4.3.4 Change of Vision and Mission

The study sought to investigate whether the vision and mission of the National Oil Company has been changed in the last five years. From the findings, all the respondents indicated that the vision and mission of the company had not changed citing reasons that the current one was developed three (3) years ago.
43.5 Strategic Plan

The study sought to find out whether the National Oil has a strategic plan and the time frame the strategic plan covers. From the findings, all the respondents indicated that the Company has a strategic plan which covers five years (2008 – 2013) that is a five years strategic plan.

43.6 Formulation of strategic plans and their role in the strategic planning process

The respondents were requested to give information of who in the company formulates strategic plans and to cite their role in the strategic planning process. From the findings majority of the respondents indicated that the board of directors and the management formulates the strategic plan and that senior management team and the middle level managers were also involved in the formulation of the strategic plans. Some of the respondents indicated that it was also found out that the strategic plans are formulated by all that is; board of directors, senior management team and middle level management. This clearly indicates that strategy formulation is done by the director and senior managers of the company. From the findings it was found out that the role of the respondents in strategy planning process is to give input on areas in which the section can contribute to the overall objective.

43.6 Functional strategies that departments have

The study sought to find out the functional strategies that the respondents have in their department. The findings indicated that in operation department the strategies are to provide infrastructural support to sales and enhance the operational excellence it also enhances the distribution of infrastructure. The sales and marketing department have a functional strategy of enhancing the distribution network, improve operation excellence and also to increase the market share up to 15%. It was also found that

43.7 Opinion successful implementation of strategies in the company

The study also sought to find out whether the strategies in the National Oil Company are successfully implemented. From the findings it was found out that the company has
implemented because there is a significant growth and the market share from 3% to 7%, the storage capacity are enhanced and also the handling rules.

4.4 Challenges of strategy implementation process

4.4.1 Challenges facing Implementation of strategies in Nation Oil Company

The study sought to find out whether there were any challenges facing implementation of strategy process in the company. From the findings majority of the respondents indicated that there were challenges facing strategy implementation. In technology, the ERP (trade union) that has been implemented has so many set-backs. Also the technology is challenged by the expensive implementation of ERP and slow integration process of the new system ERP and fuel FACS allowed for control loading operation and hence a shortcoming in implementation. The respondents indicated that the other challenge in strategy implementation process is the bureaucracy in government institutions; the current procurement process is very long for it takes 40 days to close and this affects increase in market share.

It was also found out that poor road infrastructure is also a challenge for this makes it difficult to access to some market stations. Inadequate pipeline infrastructure was also found to be a challenge because it leads to products rationing especially in West Kenya depots, constrained expansion into new markets and market share and this leads to stock-outs and therefore the customers are not satisfied. The inadequacy of pipeline infrastructures forces the company to use road transport in delivering products which is more expensive than the pipelines and they can also be risky.

The respondents also indicated that strategy implementation process was faced by competition from well established multinational corporations. The inability to source competitively and access new market opportunities and later competitive pricing is lacking in the National Oil Company. It was also found out that some multinational corporations gets support from their mother companies unlike the National Oil Company and this make difficult to compete with such kind of the company because multinationals have the stamina and can change prices because
they already have a good retail network and this affects the National Oil Company in the marketing of its products.

The respondents also indicated that another challenge to strategy implementation process was limited supply facilities because the National Oil Company has only established one depot in Nairobi and operation in other major towns like Mombasa depends on the hospitality management leading to tracking of product from Nairobi. Also the retail outlets are insufficient in the Nairobi region, they lack a filling and blending plant.

The organizational structure of the National Oil Corporation is a key challenge in strategy implementation in terms of alignment of cross functional relations in target signing and homogenization. The respondents indicated that the top management in the organization structure seems to be a bit wide so there is a need to revise the structure as this was another challenge to implementation of the strategy in the company. The respondents also indicated that the differences in the strategies implementation parties were yet another challenge facing implementation of strategies in National Oil Company.

4.4.2 Corporate strategy itself is a challenge in implementation of strategy

The study sought to investigates whether the corporation itself is a challenge in implementation of strategy. From the findings majority of the respondents indicated that National Oil Corporation as a parastatal, faces some challenges such as some strategic goals for example reaching the strategic reserves for the country is pegged on the government policy on the source, thus some external factors. The respondents indicated that this was due to the change of internal and external environments without any review being carried out, the extent that the corporation has not availed adequate resources to achieve growth plans and inadequate finances cause the corporate strategy implementation to fail.

4.4.3 Improve the corporate strategy

The study sought to find out whether there has been any measure taken to revise and improve the corporate strategy. From the findings majority of the respondents indicated that there were
measures taken to improve the corporation. For instance, a survey by KPMG regarding skill gap analysis in terms of determining whether the corporate employees have the required skills was conducted in 2009. The majority of the respondents also indicated that senior management has been requesting the board of directors for an approval to review the corporate strategy. Other respondents cited that there were no measures taken to revert and improve the corporate strategy rather the strategies have been cascaded leaving the performance contract as the option. This clearly indicates that there were measures undertaken to improve corporate strategy implementation in the National Oil Company.

4.4.4 National Oil’s organization structure align with the implemented strategies

The study sought to find out whether the organization structure aligns with the strategies being implemented in the company. From the findings, majority of the respondents indicated that organization structure does not align with the National Oil Company strategies because all functions are not being given equal considerations.

4.4.5 Measures to re-align the organization structure

The study sought to investigate whether there were any measures taken by the corporate to re-align the organization structure. From the findings majority of the respondent indicated that the Company was recruiting the professionals and undertaking skill gap analysis exercised and conducted annually with gaps shaped. This implies that there were measures taken to re-align the company’s structure to easy implementation of strategy in the company.

4.4.6 CEO of National Oil leads in strategy implementation

The study sought to investigate whether the CEO of the National Oil Company was in the forefront in proving leadership in strategy implementation. From the findings majority of the respondents indicated that the CEO has been in the forefront in steering the strategy and proving support. The respondents indicated that the CEO has been communicating strategies through briefing in staff meeting, sending emails and negotiating with ministry for funding.
4.4.7 National Oil culture hinder strategy implementation

The study sought to investigate whether National Oil Company culture hinder strategy implementation. From the findings majority of the respondents indicated that the company culture does not hinder the strategy implementation because the company is dynamic in that it has young managers who are flexible risk takers. The study sought to establish the measures that are taken to ensure that the organization culture is always compatible with the strategy. From the findings majority of the respondents indicated that the human department always organizes annual team building events to assist in bonding, the communication of corporate values to all employees including the new ones as early as during the induction program. The respondents also indicated that they sign performance targets and conduction of appraisals, the employee award scheme based on performance is also a motivation factor to ensure that the organization’s culture is always compatible with the strategy.

4.4.8 Resources adequacy for the strategy implementation

The study sought the opinion on whether there were sufficient resources for the strategy implementation. From the findings, majority of the respondents indicated that the available resources (physical, financial, technological and human) were adequate for the strategy implementation in the company. From the findings majority of the respondents indicated that inadequacy of finances and human resources hinder the strategy implementation but on the other hand the physical and technological resources were adequate for the strategy implementation. This clearly indicated that insufficient funds and insufficient personnel in the company were challenges facing implementation of strategies in the Company.

4.4.9 Individual measures taken to avail the resources for the case strategy implementation

The researcher asked the respondent to give the measures they take to avail enough resources so as to enable the National Oil Company to implement its strategy successfully. From the findings it was found out that the respondents evaluated and pursued alternative sources of finance
rather than relying on the MOE financing, they also negotiate for increase of funds from the ministry. Further they request for the recruitment of relevant resources in the section and also pointing out opportunities available exploration within the section for the restructuring of the organization so as to enhance human resources. Also the respondents said that they try to ensure data provision to external clients is adequately addressed by in-house transcription

4.4.10 Existing policies pose a challenge in facilitating strategy implementation.

The study sought to find whether the existing polices (specific guidelines, methods, procedures, rules, norms and administrative practices) pose any challenge in facilitating strategy implementation. From the findings majority of the respondents indicated that the public procurement and disposal act hinders strategy implementation because it delays long procedures which results to loss of sales and delayed services delivery. The respondents were requested to indicate what individual measures that can be undertaken to ease strategy implementation. From the findings majority of the respondents indicated that recommending reviews on the ISO procedures and actually continuously participating in the review of such procedures ensure smooth implementation of strategy in the company.

4.4.11 Adequate communication to staff understanding the strategy

The respondents were requested to indicate whether there was any adequate communication to staff to understand the strategy. From the findings majority of respondents indicated communication to the staff is enhanced through meetings, it is also incorporated in staff through the cascading of all target through performance contract and helps in understanding the strategy of the company.

4.4.12 Instituted measures to improve communicate on strategy.

On whether there were measures to improve communication on strategy, majority of the respondents indicated that open quarterly strategic plan review and corporate performance briefing for staff was done. The respondents also indicated that regular updates' from the top management on the strategy implementation and the open forums during the departmental
4.4.13 Measure taken to minimise the adverse effects on strategy Implementation

The respondents were asked to offer measures that can be taken to minimise the adverse effects on strategy implementation. From the findings, respondents indicated that the company management has to ensure staff training programs are effected, adopt capacity building initiatives and involve the staff in decision making on issues concerning strategy implementation in the company.

The respondents were further asked to indicate whether they were experiencing lack of support and resistance from management, staff and customer while implementation strategy. From the findings, all the respondents indicated that they faced lack of support and resistance from the management, staff and customer while implementing strategy. The respondent explained that this was because the salary of staff was tied with increase in performance, stretching targets that did not commensurate with remunerations as well as uncertainty poised by strategy.

On what measure were put in place to ensure rewards are tied to the ability in ensuring implementation in the Corporation, majority of the respondents indicated that aligning business plan and ensuring performance targets to strategy will ensure strategy implementation is done as expected.

4.4.14 Continuous Monitoring of the implementation of Strategy

The respondents were requested to indicate whether there was any continuous monitoring of the strategy implementation to ensure it is in tandem with the corporate plan. From the findings, majority of the respondents indicated that there was continuous monitoring of strategy implementation which was done at the end of mid years and end of years on performance focus.

The respondents indicated that the head of department and section heads and supervisors were responsible for frequently monitoring the strategy implementation process in the company. On whether there were measure taken to sure continuous monitoring of strategy implementation, the respondents indicated that there is performance evaluation of corporate bodies done annually.
and adopting performance contracting. Evaluation of the achievement against the target was done and results communicated to staff. This implies that the company does continuous monitoring and evaluation of results strategy implementation in the National oil Company.
CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings of the study and also it gives the conclusions and recommendations of the research based on the objectives of the study.

5.2 Summary of Findings

The National Oil Company has instituted a vision and mission strategy. From the findings, National Oil is corporation and world class Petroleum Company serving energy needs, today and tomorrow. The Company’s vision is to lead in retail, distribution, services delivery and developing Kenya petroleum resources and to grow the company into a sustainable profitable company.

To achieve market leadership, it was established that the National Oil company has developed strategic infrastructure and initiated active exploration, expanded its network in order to serve the country and the region of Africa. According to Hamel, et al (1994) there is three organizational elements that provide the fundamental long term means for institutionalizing the firm’s strategy which are structure, leadership and organizational culture.

The National Oil Company’s vision, purpose and the strategic intent has not changed in the last five years and the present vision, purpose and strategic intent were formulated in the 3 years ago. The study found out that the National Oil has a strategic plan and the time frame for the strategic plan is five years (2008 – 2013).

It was established that Nation Oil Company faces challenges facing its strategy implementation. Implementation of strategy calls for alteration of existing procedures and policies and therefore in most organizations, strategy implementation requires shift in responsibility from strategists to divisional and functional managers (Kazmi, 2002). There are many organizational characteristics, which act to constrain strategy implementation. Of particular importance are
structure, culture, politics and managerial style (Bernard Burns, 1996). The study found out that technology adoption is a great challenge to strategy implementation due to cost of ERP and slow integration process of the new system of ERP and fuel FACS which had allowed for control loading operation and hence shortcoming in implementing. Bureaucracy in government institutions has also constrained strategy implementation process in the company and this affects expansion in market share making the company unable to access some market stations. Inadequate pipeline infrastructure was also found to be a challenge because it leads to products rationing especially in West Kenya depots, constrained expansion into new markets and market share and this leads to stock-outs and therefore the customers are not satisfied. The inability to source competitively and access new market opportunities and later competitive pricing is lacking in the National Oil Company. Also the unfair business practices bring about the harmful competition. It was also found out that some multinational corporations get support from their mother companies unlike the National Oil Company and this make it difficult to compete with such kind of the company explaining that multinationals already have the stamina and can change prices because they already have a good retail network and this affects the National Oil Company in their marketing of products.

The study established that the National Oil Company faces challenges of limited supply facilities in strategy implementation process as it has only established one depot in Nairobi and operations in other major towns like Mombasa depends on the hospitality management leading to tracking of product from Nairobi at hails. The company has placed too great an emphasis on short term financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge as stated by David (1997).

The study established that the National Oil company structure is a challenge in strategy implementation. When an organization changes its strategy, the existing organizational structure may become ineffective (Wendy, 1997). The top management in National Oil Company structure seems to be a bit wide so there is a need to revise the structure as this was another challenge to implementation of the strategy in the company. The characteristics of an ineffective organizational structure include too many levels of management, too many meetings attended by
too many people, too much attention being directed toward solving interdepartmental conflicts, too large a span of control; and too many unachieved objectives (David, 1997).

The Company is a government parastatal and much of its managerial aspects are influenced by the government. This has led to its policy and strategy implementation being affected by the politics. From the findings majority of the respondents indicated that National Oil Corporation being a parastatal, the majority of the respondents indicated that some strategic goals for example reaching the strategic reserves for the country is pegged on the government policy on the source. The Company’s structure is vital in the implementation of strategy and the company’s structure does not align with the National Oil Company strategies. To resolve this challenge, the company is recruiting the professionals and undertaking skill gap analysis exercised conducted annually.

It was also established that National Oil Company has insufficient resources for the strategy implementation. The available resources (physical, financial, technological and human) were not adequate for the strategy implementation in the company and that inadequacy of finances and human resources hinder the strategy implementation. Thompson, (1990) indicated that for effective implementation of strategy firm must have sufficient financial resources, physical resources, human resources, and technological resources.

The existing polices in National Oil Company which include guidelines, methods, procedures, rules, norms and administrative practices pose any challenge in facilitating strategy implementation. From the findings majority of the respondents indicated that the public procurement and disposal act hinders as because of its delaying long procedures which results to loss of sales and delayed services delivery.

The Management of the company ensures adequate communication was sought to be important to ensure staff understand the strategy. Effective communication to the staff should be enhanced through meetings, to help in understanding the strategy of the company. The Company has instituted measures to improve communication on strategy, through open quarterly strategic plan review and corporate performance briefing for staff was done, regular updates from the top
management on the strategy implementation and the open forums during the departmental quarterly business presentations to achieve better strategy implementation.

The other challenge of strategy implementation at the company is lack of support and resistance from the employees. This was due to uncertainty poised by strategy; salary of staff was tied with increase in performance and stretching target that did not commensurate with remunerations.

5.3 Conclusions

Based on the findings, the study concludes that technology in the ERP (trade union) that has been implemented has so many set-backs. Also the technology is challenged by the expensive implementation of ERP and slow integration process of the new system ERP and fuel FACS allowing for control of loading operations and hence shortcoming in implementation of strategy. The respondents indicated that the other challenge in strategy implementation process is the bureaucracy in government institutions; the current procurement process is very long for it takes 40 days to close and this affects increase in market share that is the company is unable to expand as fast as others.

The study concludes that poor road infrastructure is also a challenge for this makes it difficult to access to some market stations. Inadequate pipeline infrastructure was also found to be a challenge because it leads to products rationing especially in West Kenya depots, constrained expansion into new markets and market share and this leads to stock-outs and therefore the customers are not satisfied. The inadequacy of pipeline infrastructures forced the company to use road transport means of delivering which are more expensive than the pipelines and they can also be risky safety wise.

From the findings, the study concludes that the inability to source competitively and access new market opportunities and later competitive pricing was lacking In the National Oil Company as well as unfair business practices bring about the harmful competition. The study also concludes that competition some multinational corporation gets support from their mother companies unlike the National Oil Company and this make difficult to compete with such kind of the
company explaining that multinational already have the stamina and can change prices because they already have a good retail network and this affects the National Oil Company in their marketing of products.

Further, study concludes that the National Oil Company was facing challenges of limited supply facilities in strategy implementation process as it has only established one depot in Nairobi and operation in other major towns like Mombasa depends on the hospitality management leading to tracking of product from Nairobi at hails. Also the retail outlets are insufficient in the Nairobi region, lack of filling plant and blending plant frustrated by hospitality arrangement with competitors. The National Oil organization structure does not align well cross function relation in terms of target signing homogenization and the differences in the strategies implementation parties were yet another challenge facing implementation of strategies in National Oil Company.

The study further concludes that the company corporate strategy was yet another challenge facing implementation of strategy in National Oil Company. Some strategic goals for example reaching the strategic reserves for the country is pegged on the government policy on the source, thus some external factors. The respondents indicated that this was due because since the change of internal and external environments there has been no review done, the extent that the corporation has not availed adequate resources to achieve growth plans and inadequate finances cause the corporate strategy implementation fail.

The study also concludes that inadequacy of finances and human resources hinder the strategy implementation but on the other hand the physical and technological resources were adequate for the strategy implementation. This clearly indicates that insufficiency fund and insufficient personnel’s in the company were challenges facing implementation of strategies in the Company.

The study further concludes that the existing polices in National Oil Company which include guidelines, methods, procedures, rules, norms and administrative practices public procurement and disposal act hinders as because of its delaying long procedures which results to loss of sales and delayed services delivery.

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The study also concludes that reviewing ISO procedures and actually continuously participating in the review of such procedures ensure smooth implementation of strategy in the company.

The study further concludes that the other challenge of strategy implementation at the National Oil Company was Lack of management Support and resistance from the employees. Employee’s resistance was due because salary of staff was tied with increase in performance, stretching target that did not commensurate with remunerations as well as uncertainty poised by strategy.

5.4 Recommendation of the Study

The study recommends that Management of the company should ensures adequate communication was sought so as to ensure staff understood the strategy through meetings, also it’s incorporated in staff through the cascading of all target through performance contracts and helping in understanding the strategy of the company.

The study recommends that the company should ensure corporate re-alignment with the organization structure for effective implementation of strategy and this could be achieved through recruiting the professionals and undertaking skill gap analysis exercised and conducted annually with gaps shaped. This implies that there were measures taken to re-align the company’s structure to easy implementation of strategy in the company.

The study also recommends that the organization need to streamline their academic leadership, operational and strategic management, and administration, adoption of strong financial strategies, innovation and invention strategies and research and development ventures aimed at developing the relevant customer knowledge for effective implementation of the strategy.

The study also recommends that the organization should work towards effective communication of the vision, involvement of the entire staff and community; continuous reaffirmation of the new direction, continuous review of the process and giving feedback on short term gains as this will leads to effective implementation of the strategy in the organization.
The study further recommends that continuous monitoring of strategy implementation is importance to ensures performance evaluation of corporate bodies which should be done annually and adopting performance contracting as this will ensure the company performs better in its operations.

5.5 Recommendation for Further Study
The study investigated challenges affecting implementation of strategic choices at the National oil corporation of Kenya. Further research should be undertaken in similar parastatals to find out challenges facing implementation of strategy so that organizations can minimize and eradicate them for maximum achievement of their operations.
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APPENDICES

APPENDIX I: INTERVIEW GUIDE

Part One: General Information

1. Which department are you working in at National Oil?

2. What is your job title at National Oil?

3. What are your main responsibilities in National Oil?

4. How many years have you worked in your current position?

5. a) Can you explain in your own understanding National Oil’s vision, purpose, and strategic intent.

b) Has the vision, purpose and strategic intent been changed in the last five years.

6. Does National Oil have a mission statement? State

7. Has the vision and mission been changed in the last five years?

8. Does National Oil have a strategic plan and what time frame does it cover?
Part B: Strategy Implementation

9. Who formulates strategic plans at National Oil and what is your role in the strategic planning process?


10. Which functional strategies does your department have?


11. In your opinion, has National Oil successfully implemented its strategies?


12. In the Strategy Implementation process, which of the following do you deem are challenges for National Oil and How? Explain

- Technology

- Bureaucracy in Government institutions

- Poor Road Infrastructure

- Inadequate Pipeline infrastructure

- Competition from well established Multinational Corporations
13. Do you consider the corporate strategy itself as a challenge in strategy implementation? Please explain.

ii) Has there been any measures taken to revise and improve the corporate strategy? Explain

14. Was the organizational structure of National Oil aligned with strategies being implemented? Please explain.

i) Were there any measures taken to re-align the organizational structures?
15. Was the CEO of National Oil in the forefront in providing leadership in strategy implementation? Please explain

16. a) Do you consider National Oil’s culture as a hindrance to strategy implementation? Please explain

b) What measures have been taken to ensure the organization’s culture is always compatible with the strategy?

17. a) In your opinion, were the available resources (Physical, financial, technological and human) adequate for strategy implementation? Please explain

b) What measures have you taken to avail enough resources to enable National Oil to implement its strategy successfully?
18. a) Does the existing policies (Specific guidelines, methods, procedures, rules, norms and administrative practices) pose any challenge in facilitating strategy implementation? Please explain

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b) What measures have you instituted to ensure established policies are in support of strategy implementation?

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19. a) Is there adequate communication of the identified strategy to staff in your department for their understanding and acceptance? Please explain

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b) What measures have you instituted to improve and provide necessary and adequate communication on strategy implementation?

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20. a) Did you experience any uncontrollable factors in external environment that adversely impacted on strategy implementation? Please explain?

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21. Did you experience any lack of support and resistance from management, staff and customers while implementing strategy? Please explain

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b) What measures have been instigated to minimize resistance to strategy implementation?

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22. a) Did the organizational policies pose any challenge to strategy implementation? Please explain

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b) What measures have been instituted to minimize the adverse effects politics in strategy implementation?

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23. a) Would you say the management and staff have requisite skills required to successfully implement strategies. Please explain.

________________________________________________________
b) What measures have you taken to provide requisite skills for strategy implementation?

24. a) Are your rewards system in any way tied to ability to implement strategies? Please explain.

b) What measures have you taken to ensure that rewards are tied to ability to implement strategies in the corporation?

25. a) Is there a continuous monitoring of the strategy implementation to ensure it is in tandem with the corporate plan?

b) Who does the monitoring and how frequently is it done?

c) What measures have you taken to ensure that there is continuous monitoring of strategy implementation?

Thank you for your cooperation