A SURVEY OF THE PERCEPTIONS OF MANAGERS ON THE RELATIONSHIP BETWEEN DEVOLUTION OF STRATEGIC PLANNING AND PERFORMANCE IN THE SOFT DRINKS INDUSTRY IN KENYA

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October, 2010
DECLARATION

I declare that this project is my original work and has not been presented to any other institution of higher learning for any award.

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

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I dedicate this project to my late dad John whose dream it was to see me further my studies and whose presence has remained my guiding light.
ABSTRACT

This study was focused on examining the perceptions of managers on the relationship between devolution of strategic planning and performance in the soft drinks industry in Kenya. The firm’s selected for this study were Nairobi Bottlers Ltd, East African Breweries Ltd and Sofia Bottling Company. The research design used in the study is descriptive survey approach, data was collected by use of questionnaire and analysis of the results was both quantitative and qualitative.

The study established that most respondents were of the view that devolving strategic planning gives several benefits to the organization. First and foremost, devolving strategic planning was seen to empower and prepare middle level managers for top level jobs. It was also established that some middle level managers may have more experience in an organization and know more about the company than top level managers and therefore their contribution in decision making would be of much benefit to the organization. In addition, devolving the strategic plan helps create ownership of the organization goals and enhance performance. It also emerged that most managers hold the opinion that devolving the strategic plan makes decision making a fairly fast process and reaction to issues rather spontaneous and timely.

These perceptions were directly supported by the performance of the organizations that were under study, all reporting successive firm profitability year after year following adoption of a devolved system of strategic planning.

It is recommended that further research be conducted on the impact of what is being devolved (carrying out of tasks only or both carrying out of tasks and decision making),
whether the gains of devolving strategic planning on the performance of the firm is dependent on the size of the firm and whether the duration covered by the strategic plan has a bearing on the performance of the organization.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

One of the commonly cited reasons for strategic planning is to enhance organizational performance (Hahn and Powers, 1999). Proponents of this rationale argue that well-designed strategic plans provide a good and convenient framework that allows the organization to enjoy distinct competitive advantages, thus experiencing improved performance (Porter, 1997). In some cases, the objective might be to trim overhead or reorganize existing resources within the same general strategic domain. In other cases, the organization might be intent on diversifying its products or services (Byrne, 1997).

Another rationale for developing strategic plans could be to provide staff members within the organization information about the direction of the organization (as spelled out by the strategic plan) with the expectation that this information will elicit buy-in from these individuals (Stahl, 1998). An additional, but equally probable, rationale for developing strategic plans is to appease different constituencies of the organization. The apparent diversity in motives associated with strategic plans highlights the potential utility associated with strategic planning. Indeed, well-developed strategic plans can result in a variety of benefits, including those mentioned above. It is important to note, though, that the magnitude of these benefits could be influenced by certain industrial characteristics. For example, Miller and Cardinal (1994) concluded that the relationship between strategic planning and performance was more pronounced in organizations that operated in turbulent environments.
Competitive strategy refers to how a company competes in a particular business (Porter, 1997). Competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing. Michael Porter argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match.

Strategic planning is a commonly used management process, employed by managers in both the private and public sector to determine the allocation of resources in order to develop financial and strategic performance. A survey of USA and European companies by Bain and Co. (2003) finding that strategic planning was used by eighty nine per cent of the sampled companies. There appears to be general agreement among strategic planning researchers that the process consists of three major components: formulation (including setting objectives and assessing the external and internal environments); evaluating and selecting strategic alternatives; implementation and control (Hopkins and Hopkins, 1997).

Within its use as a resource allocation process the strategic planning process can serve a number of organizational roles hence enabling organization-wide response to environmental change. Protecting core technologies through helping to recognize and address uncertainties. Providing an integrative device to address potential synergies and acting as a basis for divisional and business control (Grant, 2003). The development of strategy is an ongoing and often dispersed process. The strategic planning process forms a part of the administrative context established by corporate management, the formal
planning and control system acting to bound, encourage and shape the emergent aspects
of strategy development (Chakravarthy and White, 2002). The effective use of planning
review also helps to develop and share intelligence, challenge and develop assumptions
and hence inform the strategy process (Kaplan and Beinhocker, 2003).
The relevance of these roles varies between organizations and for a particular
organization may change over time. To accommodate such variation the stages that
comprise the formal strategic planning process can be configured and organized in a
variety of ways to emphasize particular roles. The balance of such design elements as
centralization or decentralization (the commonly made distinction between “top down
and bottom up” planning processes), can be used to enable corporate control and the
integration of business unit activities (centralization) or to encourage business unit
innovation and adaptation (through decentralization). A large number of empirical studies
have established associations between the characteristics of planning processes and a
range of environmental and organizational characteristics. As such these studies provide
guidelines for designing the strategic planning process. The contextual factors that appear
relevant to configuring the strategic planning process can be sub divided into those which
describe the organization's environment and those concerning the organization and its
strategy.

1.1.1 Devolution of Strategic Planning

Although different definitions of strategic management have been given by scholars, they
seem to have a common focus on the key aspects or elements that form the current
structure of strategic management. Thompson, et al., (2008) propose the elements of
strategic management to include strategic analysis, strategic choice and strategy implementation. (Dess and Miller (1993), argue that strategic management involves environmental and capability analysis, strategy formulation and strategy implementation and control on an on-going basis.

The concept of devolution has increasingly been used in Human Resource Management. The notion of personnel tasks being devolved to middle managers has only been partially accepted. Some organizations have done away with middle level management cadre. There are many questions pending to be answered regarding what exactly is being devolved, whether it is just the implementation of tasks or the actual decision-making power regarding HRM issues, strategic planning process etcetera. In this sense, responsibilities such as the appraisal of a team's performance and the decisions taken as a consequence of that appraisal by a middle manager would both be considered as devolved (Thompson, et al., 2008). However, the former is a task that simply consists of implementing someone else's policy, whereas the latter involves a much higher degree of decision making. Questions have been raised whether any degree, level or form of transfer of strategic planning responsibility to middle managers should be considered devolution. In any case, devolution is a phenomenon that has been defined from the perspective of HRM specialists, with little or no contribution from the other main agents involved in it, i.e. the middle managers.

1.1.2 Firm Performance

The basic premise of the concept of performance is simple: great performance, whether on the stage or by an agency, whether by an individual or by a team is very unlikely to
happen on its own. In fact many definitions of the term management include references to the attempts to bring the use of resources to result in the achievement of goals (Donnelly et al., 1995). Performance management can take many forms from dealing with issues internal to the organization to catering of stakeholders or handling issues in its environment.

The most frequently employed measures are those based on the firm's profitability, essentially, return on equity (ROE), profit margin on sales and return on total capitalization. Performance management involves the use of both quantitative and qualitative techniques and paying due attention to the human (behavioral) side of the enterprise. As pointed out by Hatry (1999) performance measurement is a recurring activity. For performance measurement to be meaningful you have to benchmark and make comparisons to it over time. However, performance management means that attention should be shifting from one dimension of a program to another as circumstances are changing within or outside the organization. This brings us to the need for strategic planning for firms to respond to environmental changes.

1.1.3 Devolution of Strategic Planning and Firm Performance

It has been argued that firms should respond to environmental changes such as increased competition by engaging in more systematic strategic planning to anticipate and respond to changing events. There is evidence that firms have responded to greater environmental uncertainty and complexity with more extensive planning (Kukalis, 1988). Furthermore, it appears that formal strategic planning enhances firm performance although the relationship is not unequivocal (Boyd, 1991).
In an age of discontinuous change, unpredictable competition, and fickle customers, few companies can plan ahead with any confidence, yet most organizations remain locked into a "plan-make-and-sell" business model that involves a protracted annual budgeting process based on negotiated targets and resources and that assumes that customers will buy what the company decides to make. But such assumptions are no longer valid in an age when customers can switch loyalties at the click of a mouse.

Organizations need to find a new model that effectively empowers front-line managers to make fast decisions based on current information. The "Beyond Budgeting" model represents a set of information-age best practices—from organization design and devolution of authority to planning and performance management which leading-edge companies are now using to respond much faster to customer demands. Understanding what these practices are and what you need to do to adopt them is increasingly likely to determine whether or not your company is able to compete effectively in the new economy. (Strategic Finance October 2000).

1.1.4 Soft Drinks Industry

A soft drink (also referred to as soda, pop, soda pop, coke or fizzy drink) is a drink that typically contains no alcohol, though may contain small amounts (typically less than 0.5% by volume) and is usually referred to as a sugary drink. Soft drinks are often carbonated and commonly consumed while chilled or at room temperature. Some of the most common soft drinks include cola, flavored water, sparkling water, iced tea, sweet tea, sparkling lemonade (or other lemon-lime soft drinks), squash, fruit punch, root beer,
orange soda, grape soda, cream soda, and ginger ale. The term "soft" is employed in opposition to "hard", i.e. drinks with high alcoholic content by volume. Generally it is also implied that the drink does not contain milk or other dairy products. Hot chocolate, hot tea, coffee, tap water, juice, schorle or spritzer and milkshakes also do not fall into this classification. Many carbonated soft drinks are optionally available in versions sweetened with sugars or with non-caloric (Meghan et al, 2006).

Barbara Murray (2006c) explained the soft drink industry by stating, “For years the story in the nonalcoholic sector centered on the power struggle between...Coke and Pepsi. But as the pop fight has topped out, the industry's giants have begun relying on new product flavors and looking to noncarbonated beverages for growth.” In order to fully understand the soft drink industry, the following should be considered: the dominant economic factors, five competitive sources, industry trends, and the industry’s key factors.

Coca-Cola has for a long time been a household name in Kenya when referring to soft drinks. In the more recent past, there has been an emergence of other soft drinks bottling industries, Sofia bottling Ltd and East African Breweries taking up a percentage of the total market share. The entry of Pepsi Cola into the Kenyan market in the near future will increase variability in the range of soft drinks and also increase the competitive edge in this industry.

The soft drinks industries that will be referenced in this research are Nairobi Bottlers Ltd, Sofia Bottling Company Ltd, and East African Breweries, (soft drink section).
1.2 Statement of the Problem

In fast-moving businesses, companies must respond quickly to changes in technologies and markets. Based on this, both international and local businesses are increasingly delegating substantial discretion to the boards and management teams of subsidiaries. Also, devolution within the organizations themselves is taking root. A significant area such as strategic planning requires flexibility and urgency in addressing issues. The devolution of personnel activities for instance has been conceived as a general and one-dimensional concept, with little further exploration of what is being devolved, how it is being devolved, and more importantly, how this is perceived by the actors involved. This lack of specifics indicates that there is more focus on the rhetoric of devolution than on its reality. However, as some studies suggest, the reality of devolution is not so simple and the transfer of Human Resource (HR) functions to middle managers materializes in a great variety of forms, not only in terms of different HR areas or activities but also in terms of different degrees – tasks, knowledge and expertise, financial power and decision making power.

The devolution of each of these dimensions may have a distinctive impact on middle managers' perceptions of the relationship between devolution of strategic planning and performance. Furthermore, many existing studies are mainly based on quantitative data and lack a detailed in-depth explanation of "what" is devolved (dimensions considered) and "how" devolution will impact middle managers' perceptions and performance. However, some quotas posit the argument that centralized initiatives and the "top-down" setting of goals are necessary to initiate diversification (Chakravarthy, 2000) and a
centralized approach to planning is consistent with a single or narrow range of businesses (Rumelt, 1994).

Studies done on devolution and strategic planning are farfetched in terms of contextualization. They are directed towards highlighting beverages industry characteristics in Europe and United States of America (Hall and Torrington, 1998; Cunningham et al, 1999; Budhwar, 2000). The business environment in these two regions is different from that of Kenya. This creates the need for a homegrown study of devolution of strategic planning in the soft drinks industry in Kenya.

Previous studies in the beverages industry in Kenya have missed out on the aspect of the relationship between devolution of strategic planning and performance. Muriuki (2001), for instance, carried out an empirical investigation of aspects of culture and their influence on marketing strategies in the beverages industry in Kenya. Nyakiore (2004) conducted a study on the effectiveness of product strategy in the Kenyan beverages industry. From the studies reviewed, there is no known study that has been carried out on the link between devolution of strategic planning and performance in the soft drinks industry in Kenya. Yet this link is important because the main objective of devolving strategic planning to lower levels is to enhance the decision making process and hence performance. It is in the light of the need to bridge this gap in research that this study comes in to survey the relationship between devolution of strategic planning and performance in soft drinks industry in Kenya.
1.3 Objective of the Study

To determine the perception of managers on the relationship between devolution of strategic planning and firm performance in the soft drinks industry in Kenya.

1.4 Significance of the Study

The findings of this study will prove useful to a variety of users. To the soft drinks industry stakeholders, it will give an insight on the current state of affairs in governance and strategic planning process. This will be helpful in decision making that ultimately improve the industry. An improved soft drinks industry will translate into better products and services to the customers.

As we have already established, there are few studies done on this field. The findings of this study will therefore act as a basis for further research. This will go a long way in generation of knowledge in this field.

The government is a strategic partner in every industry. Government policies can affect soft drinks industry positively or negatively. To update the government of Kenya on the situation of devolution of strategic planning processes in soft drinks industry, the findings of this study will be important.

1.5 Assumptions of the Study

There is a general assumption that the stakeholders in the soft drinks industry will remain supportive in the course of this study. Kenya being a free market economy, it is expected that there is a level playing field for all companies in the soft drinks industry. The survey
will have a sample that will provide findings to represent the soft drinks industry in Kenya. While assessing devolution of strategic planning process, all the other factors that might affect these variables will be held constant.
2.1 Introduction

This chapter discusses the perceptions of strategic planning devolution. The chapter further breaks the two concepts into strategic planning and devolution of strategic planning. The two concepts are then matched to firm performance. The chapter concludes with empirical evidence of devolution of strategic planning.

2.2 Strategic Planning

Significant theorizing and research have focused on the nature of the relationship between an organization’s planning processes and performance, and the construct of usefulness has been central to most of this inquiry (Kukalis, 1991). Academicians have treated the process of strategic planning with mixed emotions. One set of researchers and practitioners believes in the usefulness of planning (Miller and Cardinal, 1994). However, others have considered the effectiveness of planning with skepticism (Pearce et al., 1987).

Multiple definitions of strategic planning have been offered in the literature. However, defining “strategic planning” remains a problem in general in the organizational literature (Mintzberg, 1994). According to Thune and House (1970), formal planning exists in firms if the strategic goals, plans and controls span over a period of time beyond three years. Armstrong (1982, p. 198) calls strategic planning an “explicit process for determining the firm’s long range objectives, procedures for generating and evaluating alternatives and a system for monitoring results of the plan when implemented.”
the multidimensional nature of the planning construct has been noted in the literature the
formality of the planning system (the extent to which planning processes exist) has been
the most widely used dimension of strategic planning in the empirical literature. Formal
strategic planning conveys "that a firm's strategic planning process involves explicit
systematic procedures used to gain the involvement and commitment of those principal
stakeholders affected by the plan" (Pearce et al., 1987, p. 658).

On the one hand, several theorists and practitioners have argued for the need and
appropriateness of strategic planning by using conceptually compelling and empirically
persuasive premises of planning (Wilson, 1994). A major claim of such arguments is that
strategic planning creates a viable link between an organization's objectives, goals, and
resources. It is not only concerned with the formulation of strategies within the
framework of organization policy but also focuses on analysis designed to lead to action
for the purpose of achieving goals. One of the other predominant approaches is the
conundrum approach. Organizations, their strategies, their structures, and their
management teams are becoming more complex. Organizations need to know where they
are, where they are going, and how to manage. Organizations are increasing planning
activity today because of the increasing complexity of their environments.

Another argument for incorporating strategic planning as an essential part of
organizational activities is the navigational risk approach. In many organizations,
successful implementation hinges on the ability to foresee changes in the larger system.
Determining where an organization is going and knowing how it will get there is a basic
concept of strategic planning. Planning provides alternative answers to important but
nebulous questions that are critical for developing a plan. Plans based on careful environmental analysis, knowledge of organizational objectives and goals, and the salient characteristics of management could reduce the perceived uncertainty. The plan specifies what could be accomplished and by whom. Although all risk cannot be foreseen, strategic planning includes a review of known risks. Powell’s (1992) study suggests that planning is associated with higher performance in presence of environmental uncertainty. This view recommends that success in the future will require that companies institutionalize strategic policy planning.

Critics of long term planning have argued on several fronts as well (Bonn and Christodoulou, 1996). Strategic planning has been accused of stifling creativity by eliminating true vision and synthesis from the process of change. According to this argument, the over-emphasis on rational analysis has led to the creation of strategies that are either repetitions of a largely irrelevant past or imitations of something being done by another organization. The attempt to institutionalize and regulate innovation through traditional strategic planning is said to stifle the organization’s ability to renew itself. Meanwhile, some of the other astute observers of the process argue that planning’s inherently programmatic nature is at fault. Management theorists such as Henry Mintzberg believe that strategic planning, by its very nature, is prone to devolving into an overly rigid focus on analysis and quantification; thus, it is innately inflexible and incapable of predicting crucial market shifts or of encouraging timely adaptation to them once they occur (Mintzberg, 1994). Planning’s unnaturally linear systems are censured
for the long time lags that can occur between intention and execution, and for a myopic, short term financial orientation among top managers.

Finally, strategic planning has been faulted for its use as an instrument of control, particularly over middle managers, whose prerogative to determine the direction of the units they know so intimately has been usurped. Seen in this light, planning may appear to be a diametric opposite to the new ethos of empowerment, since the traditional process can discourage even senior managers from taking responsibility for strategy. This leads to passivity rather than dynamic responses to new events in the environment: instead of initiating action on their own, managers simply wait for orders from above. Downes and Mui (1998) claim that in an era of relentless change, long-term planning is useless. They believe that firms should dispense with long term plans and instead release many small probes into the future. According to Mintzberg (1994, p. 4), the concept of strategic planning “if it is not exactly dead, it has certainly fallen from its exalted pedestal.”

2.3 Devolution of Strategic Planning

It is worthwhile to break down the concept of devolution into dimensions (tasks and responsibilities, decision-making power, financial power and expertise power) and to specify what dimensions are devolved. This breakdown of devolution into dimensions has proven useful as a good indicator of the degree of devolution (according to the number of dimensions devolved). In the same way, it represents a good tool to differentiate between rhetoric programs of devolution (in the sense of empowerment) and real ones. If devolution is to be considered a desirable output for the organization and in
particular for its middle managers, the consideration of different dimensions of devolution may present some possibilities for improving its reality.

This breakdown also facilitates the differentiation among the consequences that each dimension of devolution had on middle managers' perceptions (feelings of powerlessness, insecurity, loneliness, etc.). Therefore we can conclude that unpacking the concept of devolution into dimensions is of great value. This level of analysis allows a better understanding of devolution.

Some efforts in the literature have dealt with the issue of what dimensions devolution entails. Armstrong (1998) has emphasized not only the transfer of tasks but also the discretion in personnel issues. Armstrong (1998) adds to the discussion by arguing that if authority involves the exercise of personal influence arising from knowledge or position, then the devolution of expertise must be another dimension of devolution. The devolution of expertise entails devolving not only the tasks but the skills and knowledge to perform these tasks. According to Cascon-Pereira et al. (2006) devolution is the reallocation of personnel tasks or activities, and the related decision-making power, financial power and expertise power required to carry out these tasks, from other agents to line managers.

Kinnie (1990) also studied this multi-dimensional aspect of devolution. He points out that devolution involves a transfer of authority, and that it could be argued that devolving authority necessarily involves devolving decision-making capacity in financial terms. Similarly, McConville and Holden (1999) argue that if associated budgets are not devolved along with the responsibilities and the tasks, then what is being devolved is actually a "liability".
2.4 Managers Perceptions of Devolution of Strategic Planning

The word “devolution” has been overused in relation to the personnel function since it was one of the hot personnel topics of the late 1980s and early 1990s. But nothing much new or different has been said about this concept since it was first defined as the reallocation of personnel tasks or activities formerly undertaken by the personnel specialists to line managers (Hall and Torrington, 1998, p. 46).

There are many questions pending to be answered regarding what exactly is being devolved, whether it is just the implementation of tasks or the actual decision-making power regarding strategic planning issues. In this sense, responsibilities such as the appraisal of a team’s performance and the decisions taken as a consequence of that appraisal by a middle manager would both be considered as devolved. However, the former is a task that simply consists of implementing someone else’s policy, whereas the latter involves a much higher degree of decision making. Are they the same phenomenon? Should any form of transfer of strategic planning responsibility to middle managers be considered as the same degree of devolution? Such are the questions that cut across all perceptions of devolution of strategic planning.

Even though the concept of devolution seems to be fairly straightforward, devolution and decentralization have been used interchangeably. Therefore, an explanation regarding the blurred limits with the concepts of devolution and decentralization is required. Kinnie (1990) provides a useful distinction when stating that decentralization can be used to apply to changes in departmental structure, and devolution to changes in the allocation of authority. In this sense, decentralization is related to the location of personnel specialists.
and decision makers, whereas devolution is to do with the transfer or reallocation of responsibilities and activities from the personnel function to line managers.

2.5 Firm Performance

The traditional performance management model is too rigid to reflect today's fast-moving economy. Two new approaches devolution and strategic performance management have risen in popularity. Perhaps it is worth considering that, for many devolved firms, the difficulties they have in measuring their performance arise from their relatively new "devolved status" and the absence of a culture of performance measurement prior to transition.

Organizations need to find a new model that effectively empowers front-line managers to make fast decisions based on current information. The "Beyond Budgeting" model represents a set of information-age best practices from organization design and devolution of authority to planning and performance management that leading-edge companies are now using to respond much faster to customer demands. Understanding what these practices are and what you need to do to adopt them is increasingly likely to determine whether or not your company is able to compete effectively in the new economy.

Most attempts at redesigning organizations and devolving decision making have focused on flattening hierarchies, reengineering processes, and introducing team working. The idea that a firm’s attributes, possessions, and actions are driving forces behind performance has long been central to the strategy field (Rumelt et al., 1994).
A key development in the strategic management field was the incorporation of an open systems approach that examined strategic processes beyond a single firm and allowed for stronger empirical testing and greater generalization (Hoskisson et al., 1999). Subsequent to this shift, a series of studies have tested the influence of the firm and strategic planning and have concluded that planning effects play an important role in shaping firm performance (Chang and Singh, 2000).

2.6 Managers' Perception of the relationship between Devolution of Strategic Planning and Firm Performance

Strategic planning has long been recognized as one of the "fundamental" activities of top management (Ansoff 1970). Typically, this activity is undertaken to reduce uncertainty, coordinate the efforts of organizational members, establish dialogue and lines of communication among various organizational subgroups, and proactively search for business opportunities within the competitive domain. While the logic and purpose of strategic planning are readily understood, the actual process and its appropriateness within the context of the organization is rather complex. Therefore, a major focus within the literature of strategic management continues to be the conceptualization of planning process dimensions (or systems), and their association with measures of effectiveness (Kukalis 1991).

Thune and House. (1970), did empirical studies on the impact of strategic planning on organizational performance. Their findings confirmed the usefulness of strategic planning. Other studies thereafter were carried out conducting similar analyses and the unfortunate thing is that the results were inconsistent. Some supported a positive impact
of strategic planning on firm performance (Karger and Malik, 1975), while others (Leontiades & Tezel, 1980) failed to establish a significant link between strategic planning and organizational performance. Despite the large number of studies conducted so far very little can be said with certainty about the relationship between strategic planning and firm performance. This inconsistent nature of empirical research findings presented so far encourages researchers to examine this relationship in different contexts. The exclusive focus on financial indicators of firm performance has limited our ability to examine the impact of strategic planning on other important aspects of performance. This over reliance on economic indices to assess performance is really a partial approach, especially within strategic context due to their inability to encompass the many dimensions of organizational performance (Dess G.G and A. Miller, 1993). It is important instead, to rely on subjective assessments of performance as an appropriate means to capture the many dimensions of the process (Dess G.G and A. Miller, 1993).

2.7 Empirical Evidence

The empirical study of strategic management and its impact on organisational performance has attracted the interest and attention of management scholars for a long time (e.g. Thune and House, 1970; Karger and Malik, 1975). However, the progress of research effort appears constricted by the conceptual and methodological problems that are faced when attempting to test the relationship between the practice of strategic management and organisation performance (Commerford and Callaphan, 2005). Of particular note is the difficulty in precisely operationalising and measuring the concept of
strategic management and quantifying its key dimensions (Barringer and Bluedorn, 1999). A conceptual framework that expands, and classifies the key dimensions of the concept of devolution and that permits for measurement and analysis of field data and testing of variables is imperative to facilitate the advancement of knowledge in this field. Empirical support for the usefulness of strategic planning has been mixed. Earlier studies, such as Thune and House (1970) found that firms with formal planning procedures outperformed non-planning firms in terms of return on investment (ROI), return on equity (ROE), earnings per share (EPS) and pretax profit as performance standards. Ansoff et al. (1970) support the notion of a positive relationship between long range planning and corporate performance. However, the later studies have led to less convincing evidence of a positive relationship between planning and overall performance. Kallman and Shapiro (1978) and Leontiades and Tezel (1980) found no significant benefits from strategic planning and observed no significant differences in performance between planner and non-planner firms. Boyd (1991) used meta analysis to aggregate the results of 29 samples and found modest correlations between planning and performance. After a review of planning-performance studies, Schrader et al. (1984) concluded that there was no systematic relationship between long range planning and organizational performance. Ackelsberg and Arlow (1985) analyzed the performance of 124 small businesses and found that firms with an installed formal planning process had higher earnings and sales growth than those that did not involve strategic planning processes.
2.7 Conceptual Framework

If devolution is to deliver all the results that the strategic planning and performance literatures advocate for it, it is important to understand what the responsibilities that are being allocated to middle managers are and their perceptions, so that we can provide them with the resources they need to carry out these acquired functions.

Below is a diagrammatic presentation of the framework.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Devolution of strategic planning</td>
<td>Performance of soft drinks industries in</td>
</tr>
</tbody>
</table>
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section provides methods, tools and sources of research data, targeted groups and organizations where data was collected. It further discusses how the data was collected, processed, analyzed and the tools that were used.

3.2 Research Design

This study used a descriptive survey approach. This method was found appropriate for this study as the study was seeking opinion from a cross section of the population in the soft drink industry in Kenya. Secondly this design was preferred because it allowed for quantitative analysis of the data obtained enabling drawing of conclusions that are valid for generalization.

3.3 Target Population

This study focused on the soft drinks industry in Kenya, including Nairobi Bottlers Ltd, Softa Bottling Company Ltd, and East African Breweries, (soft drink section). The target population comprised 34 senior managers and departmental heads from Nairobi Bottlers Ltd, Softa Bottling Company Ltd, and East African Breweries, (soft drink section). The breakdown of the population by company and management categories is presented in Table 1. This will be a census study.
Table 1: The Target Population

<table>
<thead>
<tr>
<th>Company</th>
<th>Country / Regional Managers</th>
<th>Heads of departments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nairobi Bottlers</td>
<td>5</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>2. EABL soft drinks section</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>3. Softa Bottling Co.</td>
<td>2</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>25</td>
<td>34</td>
</tr>
</tbody>
</table>

3.4 Data Collection

The respondents comprised of 34 senior managers and departmental heads from Nairobi Bottlers Ltd, Softa Bottling Company Ltd, and East African Breweries, (soft drink section). Primary data was collected using questionnaires. The questions consisted of two parts, A and B. Part A focused on general information of the respondents while Part B focused data relevant to the objective of the study.

The primary data was collected by use of a semi-structured questionnaire. The questionnaires were given to the human resource manager in each company to distribute to the other managers. They were then collected from him / her after they were filled. Secondary data, specifically market share, firm’s profitability and Profit margin on Sales (PMS) was used to measure market share. The secondary data was sourced from company records.
3.5 Data Analysis

The research was both quantitative and qualitative in nature. The data collected was checked for completeness before it was subjected to analysis. The data from the field was first coded according to the themes researched on the study. Descriptive statistics and mean scores were particularly beneficial in analysis of the obtained data. This data was then used to generate percentages which were presented in tables and figures. Qualitative data from open-ended questions was interpreted and presented in prose.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with data analysis, presentation and interpretation of the findings of the study.

4.2 Biographical Data

4.2.1 Response Rate

The rate of response is presented in table 2

Table 2. Response Rate

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Frequencies</th>
<th>Actual Rate</th>
<th>(%) Response Rate per category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>9</td>
<td>7</td>
<td>77.78%</td>
</tr>
<tr>
<td>Heads of Departments</td>
<td>25</td>
<td>17</td>
<td>60.00%</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>24</td>
<td>70.59%</td>
</tr>
</tbody>
</table>

Source: Author (2010)

As can be seen from table above, 2 out of a target population of 34, response was obtained from 24 respondents, giving a response rate of 70.59 %. This response rate was deemed sufficient to draw meaningful conclusions as over 50 % of the sample participated in the study.
4.2.2 Position of the respondents

Seven managers and seventeen heads of departments participated in the study as respondents. The managers included Country Managers as well as Regional Managers.

4.3 Devolution of Decision Making and Firm performance

The respondents were asked to rate the extent to which devolution of decision-making affected performance. The results were presented in table 3 and figure 1.

Table 3. The extent to which Devolution of Decision-Making affects Firm’s Performance

<table>
<thead>
<tr>
<th>Effect of devolution on firm performance</th>
<th>Frequencies</th>
<th>(%) Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very large extent</td>
<td>9</td>
<td>37.50 %</td>
</tr>
<tr>
<td>Large extent</td>
<td>14</td>
<td>58.33 %</td>
</tr>
<tr>
<td>Small extent</td>
<td>1</td>
<td>4.17 %</td>
</tr>
<tr>
<td>No extent at all</td>
<td>0</td>
<td>0 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24</strong></td>
<td><strong>100.00 %</strong></td>
</tr>
</tbody>
</table>

Source: Author (2010)
From the above table 3 and figure 1, 37.5% of the respondents indicated that devolution of strategic planning impacted firm's performance to a very large extent. 58.33% of the respondent's view was that performance was impacted to a large extent and 4.17%, to a small extent. These results indicate that the opinion widely held is that devolution of strategic planning impacts firm performance to a large extent.
4.4 Middle level Managers' Capability to handle Devolved Duties.

The respondents were requested to rate middle level managers' capability to handle Devolved Duties. The results were presented in table 4 and figure 2.

Table 4. Rating of Middle level Managers' Capability to handle Devolved Duties

<table>
<thead>
<tr>
<th>Extent of Capability</th>
<th>Frequencies</th>
<th>(%) Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well capable</td>
<td>10</td>
<td>41.67%</td>
</tr>
<tr>
<td>Fairly capable</td>
<td>13</td>
<td>54.17%</td>
</tr>
<tr>
<td>Least capable</td>
<td>1</td>
<td>4.17%</td>
</tr>
<tr>
<td>Not capable at all</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Author (2010)

Figure 2. Rating of Middle level Managers' Capability to handle Devolved Duties

Source: Author (2010)
As shown in table 4 and figure 2 the respondents overwhelmingly favored the devolution of strategic planning to the lower levels of management, citing the middle-level managers as capable of handling the responsibility handed down to them by top level management. 41.67% of the respondents felt that middle level managers were well capable of carrying out the responsibility handed down to them while 54.17% of them felt that the middle level managers were fairly capable. Only 4.17% held the opinion that the middle level managers were least capable of handling the devolved duties. None of the respondents felt that the managers were not capable at all.

4.5 Effect of Devolution of Strategic Planning on Performance.

The following procedure was used to determine the extent of Strategic Planning on Performance.

The following criteria was used to classify and interpret the responses

<table>
<thead>
<tr>
<th>Extent of Devolution</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very large Extent</td>
<td>4.0-4.9</td>
</tr>
<tr>
<td>Large Extent</td>
<td>3.0-3.0</td>
</tr>
<tr>
<td>Small Extent</td>
<td>2.0-2.9</td>
</tr>
<tr>
<td>No Extent at all</td>
<td>0-1.9</td>
</tr>
</tbody>
</table>

Scoring Scheme
Composite score for each measure was computed by multiplying the mid-point of the scale value (see the first above) by the number of respondents. The product was then divided by the total number of respondents, i.e. 24. This gave the average score for each measure. The results are shown in table 5.

Table 5 Rating of the Extent to which Devolution of Strategic Planning affects Measures of Performance

<table>
<thead>
<tr>
<th>Measures of Performance</th>
<th>No of Respondents</th>
<th>Total score</th>
<th>Average score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very large extent</td>
<td>Large extent</td>
<td>Small extent</td>
</tr>
<tr>
<td>Firm’s profitability</td>
<td>14</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>11</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Market share</td>
<td>9</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>Profit margin on sales</td>
<td>13</td>
<td>10</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Author (2010)
From the results presented in table 5 above, the mean scores for the extent to which devolution of strategic planning affected various measures of performance range from 3.78 for return on equity and market share, 3.95 for profit margin on sales and 4.03 for firm's profitability, thus falling in the category of large extent-very large extent. From these results, it can be deduced that middle-level managers are of the view that devolution has effect on the firm performance as measured by profitability, return on equity, market share and profit margin on sales.

4.6 Qualitative analysis

Item 8 of the questionnaire required the respondents to give any information on devolution of strategic planning on their firm's performance. The findings are explained below.

4.6.1 Results of this study clearly demonstrate that firms are devolving the strategic planning process to lower levels of management. However, there is a variation as to what is being devolved as you move from one organization to another. Some organizations only delegate tasks to be carried to lower levels of management such as to heads of departments while retaining the actual decision making. This is the case with Softa Bottling Company.

Other organizations such as Nairobi Bottlers and EABL soft drinks section have given lower level managers the responsibility to carry out tasks as well as make strategic decisions for the organization.
4.6.2 All the respondents interviewed were in favour of a devolved system of strategic management as opposed to a system where decisions are carried out by top level managers only. From the results of this study, the reasons cited by the respondents for their support of a devolved system of strategic planning include the following; Firstly, that devolution prepares middle level managers for future responsibility. Secondly, that devolution creates involvement in all levels of management in the strategic plan and therefore ownership, leading to increased performance geared to organizational goals. Thirdly, that some employees at the lower cadres of management understand the organization better than top level managers and capturing their ideas/decisions in formulating the organization’s strategy may bring a wealth of useful ideas and finally, that devolution increases accountability and responsibility as everyone understands and feels part and parcel of how the strategy and decision making is enhanced.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The main findings of this study are that delegation of tasks as well as the power to make key decisions in an organization are necessary components of effective running of organization's today and that most managers were in favour of such a move. The study demonstrated that managers favoured devolution of strategic planning because of a myriad of reasons including the fact that devolving strategic planning created ownership, made use of the wealth of ideas among all levels of management, and made cognizance of the contribution from all. These factors go a long way towards boosting workforce morale to achieve the organizational objectives and consequently enhance firm productivity.

Further, devolving of strategic planning, as was deducted from the study, made decision making an easier and faster process and hence organizational response to change in the market is timely and almost spontaneous, ultimately boosting productivity.

Finally, devolution creates a rich pool of experienced personnel, well prepared to handle responsibility at higher levels of management in the organization.
5.4 Recommendations

This study recommends that further research be conducted to determine:

- The impact of what is being devolved (Whether it is carrying out of tasks only or both carrying out tasks and decision making) on firm performance.
- Whether the gains of devolving strategic planning on the performance of the firm are dependent on the size of the firm and finally,
- Whether the duration covered by a strategic plan has a bearing on the performance of the organization.
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APPENDICES

Appendix I: Cover Letter

DATE:..................

Dear Sir/Madam

RE: A SURVEY OF THE PERCEPTIONS OF MANAGERS ON THE RELATIONSHIP BETWEEN DEVOLUTION OF STRATEGIC PLANNING AND PERFORMANCE IN THE SOFT DRINKS INDUSTRY IN KENYA

This questionnaire is designed to help collect data on the above research topic as a partial fulfillment of the requirements for the award of the degree of master of business administration (MBA), School of Business, University of Nairobi.

The objective of the study is to determine the managers’ perception of the relationship between devolution of strategic planning and firm performance in the soft drinks industry in Kenya.

Please note that the study will be conducted as academic research and the information you provide will be treated in the strictest confidence and for the sole purpose of the study. Your participation is vital to make this study successes so please, give your contribution by filling in this questionnaire appropriately.

Thank you very much for your invaluable contribution.

In case of any questions, please do not hesitate to contact the undersigned on:

Tel: 0732494410
Email: enjenga@ccsabco.co.za
Sincerely,

ESTHER NJENGA

Appendix 2: Sample Blank Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the company.................................................................

2. Indicate your title in the space below

Country Manager [ ]

Regional manager [ ]

Capability head [ ]

Departmental Head [ ]

Other (specify) .................................................................

3. Please tick your age as appropriate

Below 25yrs [ ]

25-30 yrs [ ]

31-40 yrs [ ]

41-55 yrs [ ]

Above 55 years [ ]

4. What is your level of education?

Primary level [ ]

Secondary level [ ]

Diploma level [ ]

University graduate [ ]
6. How long have you worked in the industry?

- Below 2 years
- 2-5 years
- 5-10 years
- Above 10 years
SECTION B: PERCEPTIONS' OF THE RELATIONSHIP BETWEEN
DEVOLUTION OF STRATEGIC PLANNING AND FIRM PERFORMANCE

1. Is strategic planning in your organization devolved or is it carried out by top level
managers only?

Devolved [ ] Top Level [ ]

b) If devolved, what is the nature of the devolution?

Carrying out of tasks only [ ]
Actual decision making power [ ]
Both carrying out of tasks and decision making [ ]

2. To what extent does devolution of decision making to middle level managers
affect the firm's performance in a scale of 1-4?

Very large extent [ 4 ]
Large extent [ 3 ]
Small extent [ 2 ]
No extent at all [ 1 ]

3. How would you rate the middle level managers' capacity and skills to effectively
carry out the responsibility handed down to them in a devolved strategic planning
system? (Rate in a scale of 1-4 as indicated)

Well capable [ 4 ]
Fairly capable [ 3 ]
Poorly capable [ 2 ]
Not capable at all [ 1 ]

4. From your experiences as a manager, which system would you prefer and why?

a. Strategic planning by top level managers only [ ]
b. Devolved strategic planning model [ ]

Give reasons for your choice in the space provided below;
5. Does devolution of strategic planning impact on your firm’s performance?

- Very large extent [4]
- Large extent [3]
- Small extent [2]
- No extent at all [1]

6. To what extent does devolution of strategic planning positively impact on the following measures of performance in a scale of 1-4? (Very large extent – 4, large extent – 3, Small extent – 2, no extent at all – 1)

- Firm’s profitability [4][3][2][1]
- Return on Equity (ROE) [4][3][2][1]
- Market Share [4][3][2][1]
- Profit Margin on sales [4][3][2][1]

7. Kindly indicate the following figures for the last 3 years:

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm’s profitability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit Margin on sales (PMS)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Please give any other information on devolution of strategic planning on firms’ performance.

END

Thank you for your cooperation and participation