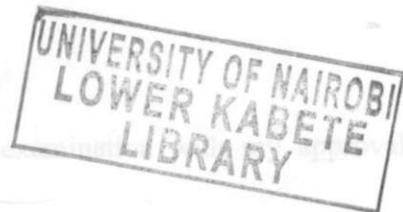


**CHALLENGES OF STRATEGY IMPLEMENTATION AT THE NATIONAL
HOSPITAL INSURANCE FUND, KENYA**

BY

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, OF THE
UNIVERSITY OF NAIROBI**

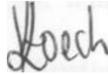
OCTOBER, 2011

DECLARATION

Student's Declaration

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

Signed



Date 12th November 2011

Koech Linda Chepkirui

D61/P/7267 /2004

Supervisor's Declaration

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

Signed



Date

12/11/2011

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DEDICATION

To my parents, Mr. and Mrs. Koech, whom I have always drawn my strength from. To Norman, thanks for believing in me. To my siblings, Chelangat, Leonard, Cherotich, Chebet and Cheptoo, I see your stamp on all my achievements both big and small. To Katete and Kethi, thank you for giving me the time to complete this course. To my friends, Lorna, Christine, Caro and Stella, for the endless support you gave me during my studies, the long hours we spent together in class and discussions. It would not have been possible without your encouragement.

ACKNOWLEDGEMENTS

I wish to acknowledge the contributions that were made in the course of this project by several individuals and organizations. I wish to acknowledge gratefully the following people, whose effort influenced the content and direction of this project.

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My thanks also go to the staff of NHIF who despite their busy schedules could make an time to be interviewed. For all who names have been indicated and many more who contributed though their names have not been indicated I say God bless you all.

Thank you.

ABSTRACT

Strategy implementation is an enigma in many companies. The problem is illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies. The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. This study is about how a successful implementation is a challenge that demands patience, stamina and energy from the involved managers.

The key to success is an integrative view of the implementation process. Strategy implementation differs completely from the formulation process and requires much more discipline, planning, motivation and controlling processes. The objective of this study was to establish the challenges NHIF faces in strategy implementation.

This was a case study of the National Hospital Insurance Fund, a state owned corporation in Kenya. Primary data was collected using an interview guide. The study targeted five general managers and five line managers in various departments. Data was analysed using content analysis and in some cases, percentages were used to show the number of managers agreeing with some issues.

The study found that there are a number of challenges which face strategy implementation process at the National Hospital Insurance Fund. These include leadership and management styles, wrong organisation structure, unsupportive organisation culture, and inadequate technical know-how.

Other challenges were government (or political) influence, poor communication and coordination, poor management of resources, unclear objectives of strategies, lack of quantifiable measures, lack of a monitoring and evaluation programme, and inconsistency between the minimum NHIF contributions and the minimum wage levels as set by the Government. The study recommends that there is need for more effective communication within the departments in the organisation in order to improve on the strategy implementation process.

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CHAPTER ONE: INTRODUCTION

U Background of the Study

Strategy implementation is an enigma in many organizations. The problem is illustrated by the unsatisfying low success rate of intended strategies. In recent years organizations have sought to create greater organisational flexibility in responding to environmental turbulence by moving away from hierarchical structures to more modular forms (Balogun and Johnson, 2004). Responsibility, resources and power in firms has been the subject of decentralization and delayering. Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and, doubtlessly, the survival of the firm is the successful implementation of marketing strategies (Chebat, 1999). The role and tasks of those employees charged with strategy implementation duties, the mid-level managers, in these new restructured organizations is under scrutiny.

Historically, numerous researchers in strategic management bestowed great significance to the strategic formulation process and considered strategy implementation as a mere by-product or invariable consequence of planning (Wind and Robertson, 1983). Fortunately, insights in this area have been made recently which temper our knowledge of developing strategy with the reality of executing that which is crafted (Olson et al., 2005). However, as strategy implementation is both a multifaceted and complex organisational process, it is only by taking a broad view that a wide span of potentially valuable insights is generated.

This study is about how a successful implementation is a challenge that demands patience stamina and energy from the involved managers. The government of Kenya views state

corporations as powerful tool for economic development and economic independence and have over the years state corporations have practiced strategic management. There has been inadequate research on strategy implementation in state corporations. Stoner and colleagues (2001) observed that the field of strategy implementation is so new that there is no consensus about its dimensions. This study will provide an understanding of the challenges faced in strategy implementation at National Hospital Insurance Fund.

1.1.1 Strategy Implementation Process and Challenges

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives (Olson et al., 2005). Today's global competitive environment is complex, dynamic, and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into the issue of how strategies are best formulated (Olson et al., 2005). The strategy implementation process is easily the most complicated and time consuming part of strategic management (Hrebiniak, 2005). Most managers know a lot more about strategy formulation than implementation. Although intricately linked strategy implementation is fundamentally different from strategy formulation. Strategy implementation is difficult and worthy of managements alienation across all levels of an organization.

The implementation of strategy involves: allocation of sufficient resources (financial, personnel, time, and computer system support), establishing a chain of command or some alternative structure (such as cross-functional teams), and assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the

process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes. For a strategy to be successful there ought to be an objective appraisal of the resources of an organization, which involves understanding weaknesses and threats and protecting the organization against them. The strategy should also be effectively developed and implemented. This entails matching the strategy to the organizations structure, addressing issues of strategy and leadership, organizational culture, stakeholders' expectations and other internal organizational variables (Johnson and Scholes).

The problem with strategy implementation is the de facto success rate of intended strategies. In research studies it is as low as 10 percent (Judson, 1991). Despite this dismal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Instead, management spends most of its attention on strategy formulation. Research emphasizing strategy implementation is classified by Bourgeois and Brodwin (1984) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success. Beyond the preoccupation of many authors with firm structure, a second wave of investigations advocated interpersonal processes and issues as crucial to any marketing strategy implementation effort (Noble and Mokwa, 1999). Conflicting empirical results founded upon contrasting theoretical

premises indicate that strategy implementation is a complex phenomenon. In response, generalizations have been advanced in the form of encouraging: early involvement in the strategy process by firm members (Hambrick and Cannella, 1989); fluid processes for adaptation and adjustment (Drazin and Howard, 1984); and, leadership style and structure (Bourgeois and Brodwin, 1984).

The 1990s' introduction of structural adjustment programmes posed a new challenge to state corporations. The policy paper on Public Enterprise Reform and Privatisation set out seven reform measures aimed at having state corporations operate on commercial principles, viz a major goal of a state owned enterprise was profitability through efficient operation in a competitive environment. Most of the state corporations thus faced contradictory demands of providing non-commercial services to meet special socio-economic obligations and at the same time to operate commercially. The desire to meet these conflicting demands saw most state corporations crafting strategies. In any case, the government made strategic management of state corporations compulsory. However, much as formulation of the strategies took place, mainly through the expertise of external consultants hence good strategies, most of the state corporations persisted in their poor performance.

1.1.2 Insurance Industry in Kenya

The insurance industry provides protection against financial losses as a result of various risks. There were 46 licensed insurance companies at the end of 2010. 22 companies wrote non-life insurance business only, 9 wrote life insurance business only while 14 were composite (both life and non-life). There were 163 licensed insurance brokers, 23

medical insurance providers (MIPs) and 4223 insurance agents. Other licensed players included 120 investigators, 80 motor assessors, 21 loss adjusters, 2 claims settling agents, 10 risk managers and 26 insurance surveyors.

The penetration of insurance in Kenya is estimated at 3%. The penetration ratio can be improved further by increasing the number of intermediaries particularly agents. The gross written premium by the industry was Kshs 79.10 billion compared to Kshs 64.47 billion in 2009 representing a growth of 22.7%. The gross written premium from Non-Life insurance was Kshs 52.35 billion (2009: Kshs 43.11 billion) while that from life insurance business was Kshs 26.71 billion (2009: Kshs 21.36). Non-Life insurance premium grew by 21.43% while life insurance premium and contributions from deposit administration & investment/unit linked contracts grew by 25.23%.

Industry earnings from investment and other income increased by 58.3% from Kshs. 15.10 billion in 2009 to Kshs. 23.93 billion in 2010. The combined industry profit after taxation increased by 79.5% to Kshs. 7.70 billion in 2010 compared to Kshs. 4.29 billion in 2009. The overall underwriting profit posted under non-life insurance was Kshs. 1.27 billion compared to Kshs. 414 million in 2009. Total assets held by the industry increased by 27.2% to Kshs 209.72 billion in 2010 (2009: Kshs 164.88 billion). Total liabilities increased by 22.1% to Kshs 159.87 billion in 2010 (2009: Kshs 130.97 billion). Net assets increased by 47.0% to Kshs 49.85 billion in 2010 (2009: Kshs 33.91 billion).

1.1.3 The National Hospital Insurance Fund

In attaining independence in 1963, the Government of Kenya stated its commitment to eradicating poverty, illiteracy and promoting good health. Towards achieving the latter, the Government pursued a policy of "free health services" in Government health facilities. To compliment this, National Hospital Insurance Fund (NHIF/FUND) was established in 1966 through an Act of Parliament Cap. 255, Laws of Kenya, as a Government department within the Ministry of Health.

Since then, various amendments have been made to the Act with first in 1972; which allowed the enrolment of voluntary membership mainly targeting self-employed persons. In 1990, it was further amended to provide for contributions on a graduated scale on income and subsequently the NHIF Act No 9 of 1998, which made the Fund a state corporation with broadened mandate. The Fund is obligated to finance healthcare services to all eligible Kenyan residents. This is anchored on the social principle of solidarity; whereby the rich support the poor, the healthy support the sick and the young support the old; hence, guarantee accessibility to healthcare services (GoK, 2010). The Fund operates as a compulsory health contributory scheme that requires every resident above 18 years and earning and income of Sh. 1, 000 and above to contribute. Contributors to the fund have increased for 100,000 in 1972 to 3 million currently. The management and administration of the fund is vested on the Board of Management while the day-to -day management and implementation policy matters is vested on the Chief Executive Officer (CEO).

NHIF any other state corporation operates in a complex environment; which is more unpredictable and less stable. This notwithstanding, it is expected to emulate the private sector and operate competitively. The state operations' objectives fluctuate in their order of priority depending on the restrictions and the changes in the broader policies formulated by the government. Since its inception, NHIF has encountered unique challenges and problems, which make it an interesting case to study. The objective of the study is to determine the challenges faced by parastatals in strategy implementation with a case of National Hospital Insurance Fund. The study will be conducted through a case study. In depth interviews will be conducted with those responsible for strategy implementation with the help of an interview guide. A conceptual and qualitative content analysis will be best-suited method for data analysis.

1.2 Research Problem

Formulating and implementing a strategy for the business are at the core of management functions. Good strategic ideas, however, frequently fail to be implemented effectively. Having a sound, visionary idea does not in itself guarantee success. Among all things that managers do, few affect organizational performance more lasting than how well the management team handles the task of charting the organization's long term direction, developing effective strategic moves and approaches, and executing the strategy in ways that produce the intended results (Thompson, and Strickland, 2003). There are varied challenges that strategy implementation face ranging from too many and conflicting priorities, insufficient top team functions, a top down management style, inter-functional conflicts, poor vertical communication to inadequate management development.

The Government of Kenya views State Corporations as a powerful tool for economic development and economic independence. Therefore the government attaches a lot of importance to the management and the performance of these institutions. Parastatals have however often been a subject of concern to government and parliamentarians, especially in matters pertaining to financial management and overall performance. Therefore the government set out the key objectives for the reform programme for state corporations. Consequently, State Corporations have to show their continued relevance in the economy or be phased out. Strategic management has been popularized and has indeed become mandatory in state corporations. There is, however continued poor performance in state corporations. The commonly advanced reason is that the institutions whose responsibility was to champion public accountability have not been very effective in controlling these enterprises.

Many studies have been carried out on strategic planning and strategic management in Kenya (Kangoro, 1998; Mbogo, 2003; Otete, 2003; Awino, 2001; Safari, 2003; Koskei, 2003; Ogwara 2003; Karanja 2004; Muthuiya 2004; Michael 2004). These studies established that organisations are now faced with rapid changes in both internal and external environments and have turned to formal strategic planning practices. Of these Awino (2001), Koskei (2003) Muthuiya (2004) and Michael (2004) looked at strategy implementation warranting more research on the area. The studies on strategy implementation focused on educational, commercial sector and NGO. Only Koskei (2003) and Awino (2001) looked on implementation in State Corporation but used case studies of state corporations with commercial and educational orientation. NHIF is

unique and strategy implementation challenges that would apply to educational and commercial state parastatals may not necessarily apply to NHIF. There is therefore a knowledge gap and the study seeks to know, what are the challenges of strategy implementation at NHIF?

1.3 Research Objective

The objective of this study is to establish the challenges NHIF face in strategy implementation.

1.4 Value of the study

This study is important to a number of stakeholders. First, the study will be invaluable to the theory, policy, practice and research. It will add on to the growing body knowledge of strategy implementation challenges in the public sector. The view point from a developing nation such as Kenya will be invaluable for the knowledge.

The study will be important also to policy makers. This is because the study will guide policy makers in the public sector to take note of the intricacies of implementing strategies in the public sector when instituting policies for the sector.

As far as value to practice is concerned, this research shall provide valuable insight to the management and staff of NHIF on strategy implementation. It shall help in the formation of relevant policies and also help to identify solutions to some of the challenges faced in strategy implementation in the organization. The research shall provide valuable information on the intricacies of strategy implementation in public corporations. Other

public corporations can use the findings as reference points in their strategy implementation processes and can be used to deal with strategic issues of public corporations.

This research will provide an understanding of the challenges faced in strategy implementation in Kenyan Public Corporations. It shall show the depth of understanding and practices of strategy implementation in NHIF. This shall prove vital for the future reference and shall contribute to available body of knowledge.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a literature review on issues of strategy implementation. A theoretical framework is shown as well as results of prior studies on strategy implementation challenges.

2.2 The Concept of Strategy

The core concept of strategic management is strategy. Strategic decisions influence the way organizations respond to their environment. Schendel and Hofer (1979) define strategy in terms of its function in the organization. They assert that the purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment. According to Juach and Glueck (1984), strategy is a unified comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. Pearce and Robinson (1991) define strategy as large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives. This is putting more emphasis on strategy as it relates the competitive environment of the firm. Most of the definitions cited above look at one aspect of strategy and there is need to look at a more comprehensive definition of strategy.

According to Hax and Majluf (1991), strategy selects the businesses the organization is to take in or is in, determines and reveals the organizational purpose in terms of long-term

objectives, action programs and resource allocation priorities, attempts to achieve a long-term sustainable advantage in each of its businesses by responding properly to the opportunities and threats in the firm's environment and the strength and weaknesses of the organization, is a coherent, unifying and integrative pattern of decisions, engages all the hierarchical levels of the firm (corporate, business, functional), and defines the nature of the economic contributions it intends to make to its stakeholders. From the definitions, it is clear from the authors' perspectives that strategy is incorporating the organization's future and its adaptation to a turbulent environment.

Some companies have strategies at three different levels namely: corporate, business and functional (Ansoff, 1984, Juach and Glueck, 1984, Newman et al., 1989; Pearce and Robinson, 1991; Hax and Majluf, 1991). Each strategy level has a different focus. Corporate strategy concerns itself with defining the overall mission of the firm. This can be within the same industry or even in diverse industries. It therefore gives the widest scope of the firm's activities and deals with how a company's resources will be allocated across the various businesses (Newman et al. 1989; Hax and Majluf, 1991 Pearce and Robinson, 1991). The business level strategy gives attention to how each of the firm's businesses will compete. Concern is on sustaining a competitive edge for each business unit. Emphasis at this level is put on integrating the firm's functional activities in order to attain the desired competitive competence (Hax and Majluf, 1991; Pearce and Robinson, 1991). The functional strategy addressed the efficient utilization of the allocated resources. It involves managers addressing co-ordination of activities within their functional business areas. These activities are important for purposes of effectively

supporting the business unit strategy (Hax and Majluf, 1991). All these levels of strategy need to be properly coordinated as they have a bearing on each other's performance.

2.3 Strategy Implementation

Alexander (1991) likens the strategic management process to a two-sided medallion. One side of the medallion is the strategy formulation describing the action plan that enables the organization to compete in specific situations; the other side represents the strategy implementation process describing how the formulated strategy is implemented. Hence, it can be argued that whether a strategy is successful or unsuccessful depends separately on these processes and their interaction. Namely, work performance is not only related to how well the strategies are formulated but also how well they are implemented. Indeed, unless successfully applied, even the strategy delicately designed and correctly predicted is almost valueless. While strategy formulation and application are functions closely connected to each other, implementation of the strategy is the most complex and time-consuming part of strategic management. Strategy implementation covers almost every aspect of the management and it needs to be started from many different points within the organization (Shah, 2005). Though the reason for the failure of strategies is viewed to be strategy implementation process in the strategic management literature, this issue has attracted less attention than the issue of strategic formulation in research (Kargar & Blumenthal, 1994). Alexander (1991) gives the reasons behind this fact as follows: strategy implementation is less glamorous than strategy formulation; many academics and practitioners tend to overlook it because of a belief that anyone can do it; people are not exactly sure what strategic management process includes, where it begins and where it ends; there are only a limited number of conceptual models of strategy implementation

According to Hrebiniak (2005) the formulation-implementation relationship is as such: "Still, it is obvious that the execution of strategy is not merely as clear and understood as the formulation of strategy.

Much more is known about planning than doing, about strategy making than making strategy work". In general, in strategic management literature and in particular, in strategy literature, strategy implementation is viewed to be different from strategy formulation and it is considered to be an issue of adjusting organizational structures and systems (Aaltonen et. al 2002). Alashloo et. al., (2005) defines strategy implementation as the explanation of how the strategy developed in a limited time should effectively be implemented to the capacities, human and financial resources of the organization. According to Reid (1989), strategy implementation is a vital process describing the opportunities of the future. From another viewpoint, strategy implementation is the collection of implementations and operations originating from the important managerial capabilities and behaviours defined for good leadership (de Kluyver & Pearce, 2003). Shah (2005) defines strategy implementation as the implementation of strategy formulation to determine the future direction of the organization. Parnell (2008) explains strategy implementation through the concepts of participation, conception, and commitment that affect the dissemination of the strategy. As it can be seen in these definitions, strategy implementation is a complex process (Schellenberg, 1983).

It is really difficult to come up with an exact definition of strategy implementation. Definitions of strategy implementation are shaped according to strategy formulation, elements of organizational behaviours and its importance for the organization. Another

complex issue related to strategy implementation is concerned with the factors affecting strategy implementation. When we evaluate the factors affecting strategy implementation, it is seen that successful implementation of strategies is of great importance for all the organizations either private or public. Even the best strategies are useless unless they are applied well (Aaltonen et al 2002). In other words, strategy' breeding success can only be achieved through implementation. The subtle point here is that no matter how internally consistent is the strategic achievement concept, how many innovative elements has it got, how strong the organization is positioned against the rivals by it, what is most concerned about is how well it is implemented. And success of the implementation depends on the actors involved.

For strategy implementation to be successful, Thompson et al (2006) proposed a 9-staged process. These are: staffing the organization with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort; creating a company culture and work climate conducive to successful strategy implementation and execution; developing budgets that steer ample resources into those activities critical to strategic success; ensuring that policies and operating procedures facilitate rather than impede effective execution; using the best-known practices to perform core business activities and pushing for continuous improvement; installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out; motivating people to pursue the target objectives energetically and, if needed, modifying their duties and job behavior to better fit the requirements of successful strategy execution; tying

rewards and incentives directly to the achievement of performance objectives and good strategy execution; and exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed. When stumbling blocks or weaknesses are encountered, management has to see that they are addressed and rectified on a timely basis.

Feo and Jansen (2001) suggest 10 steps for strategy implementation to be successful. These are: establish a vision, agree on a mission, develop key strategies, develop strategic goals, establish values, communicate company policies, provide top management leadership, deploy goals, measure process, and review progress. Also according to Wheelen and Hunger (2006) the most important activities involved in strategy implementation are: involving people from all organisational levels in strategy implementation, i.e. allocating the responsibility for strategy execution; developing programmes, budgets and procedures; organizing for strategy implementation; staffing (matching the managers and employees with the strategy); and leading by coaching people to use their abilities and skills most effectively and efficiently to achieve the organisational objectives.

2.4 Challenges of Strategy Implementation

The most important reason for the failure of the organization is the obstacles encountered while implementing strategies. The literature presents many problems encountered while implementing strategies (Okumus, 2001, Dobni, 2003, Dooley et al. 2000, Freedman, 2003). For instance, Alexander (1991) mentions various reasons as obstacles: implementation took more time than originally planned; unanticipated major problems

arose; activities were ineffectively coordinated, competing activities and crises took attention away from implementation; the involved employees had insufficient capabilities to perform their jobs; lower-level employees were inadequately trained; uncontrollable external environmental factors created problems; departmental managers provided inadequate leadership and direction; key implementation tasks and activities were poorly defined; the information system inadequately monitored activities.

Wessel (1993) points out many individual barriers hindering successful implementation of strategies such as, too many and conflicting priorities, insufficient top team functions, a top down management style, inter-functional conflicts, poor vertical communication and inadequate management development. Beer & Eisenstant (2000) see the barriers in front of strategy implementation as "six silent killers of strategy implementation" and explain them as follows: a top-down/laissez-faire senior management style, unclear strategic intentions and conflicting priorities, an ineffective senior management team, poor vertical communication, weak co-ordination across functions, business or borders, and inadequate down-the-line leadership skills development.

Corboy & O'Corrbui (1999) define the obstacles as "deadly sins of strategy implementation" and go on explaining them as follows: a lack of understanding of how the strategy should be implemented, customers and staff not fully appreciating the strategy, unclear individual responsibilities in the change process, difficulties and obstacles not acknowledge, recognized or acted upon, and ignoring the day-to-day business imperatives. In addition, according to Giles (1991) there are three reasons why

poor strategic planning is an obstacle to strategy implementation: i) a strategy is not really a strategy but "a mixture of budgets and management wish list"; ii) a strategy is not executable; and iii) the executors do not accept the strategy as "their own" because they did not participate in its formulation

According to Hrebiniak (2005), part of the difficulty of execution is due to the obstacles or impediments to it. These include the longer time frames needed for execution; the need for involvement of many people in the execution process; poor or inadequate sharing of information; lack of understanding of organizational structure, including information sharing and coordination methods; unclear responsibility and accountability in the execution process; and an inability to manage change, including cultural change.

One of major problem experience in strategy implementation is lack of sufficient communication. Aaltonen and Ikavalko (2002) state that the amount of strategic communication in most of the organizations is large, both written and oral communication issued, mostly in form of top down communications. However a great amount of information does not guarantee understanding and there is still much to be done on the field of communicating strategies. According to Qi (2005), communication should be a two way so that it can provide information to improve understanding and responsibility, and motivate staff. Also they argue that communication should not be seen as a once off activity focusing on announcing the strategy. It should be an on-going activity throughout the implementation process. In many cases it is not so and therefore communication still remains a challenge to strategy implementation process.

Raps (2005) points out that the most important thing when implementing a strategy is the top most management commitment to strategic direction itself. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes a positive signal for all the affected organization members.

Clear understanding of strategy is a prerequisite in strategy implementation. Clear understanding of a strategy gives purpose to the activities of each employee and allows them to link whatever task is at hand to the overall organizational direction. Lack of understanding of a strategy is one of the obstacles of strategy implementation (Aaltonen and Ikava, 2002). They point out that many organizational members typically recognize strategic issues as important and also understand their context in generic terms. However problem, in understanding arise when it comes to applying the strategic issues in the day-day decision making.

2.5 Empirical Review

Koske (2003) did a study on strategy implementation and its challenges in public corporation at Telkom Kenya Ltd. The objective of this study was to find out the extent of strategy implementation and also to identify challenges that the company had encountered during implementation. The research results obtained indicate that TKL formulated and documented its strategies in 1999. In its first four years the execution of these strategies has been average. It is evident from the results that the company has not been referring to its master plan whenever they embark on development programmes. It

is clear that government control and lack of funds has interfered with the company's strategy implementation programme. Poor leadership style, limited IT capacity and poor corporate culture are the main challenges faced by the company in the process of strategy implementation.

Ochanda (2005) did a study on challenges of strategy implementation at Kenya Industries Limited. The objective of this study was to determine strategy implementation challenges at Kenya Industrial Estates Limited. The research was conducted through a case study. In-depth interviews were conducted with the board members, top-level managers, the middle level managers and the shop floor employees with the help of an interview guide. A conceptual and qualitative content analysis was the best-suited method for data analysis. The study found that in the recent past, Kenya Industrial Estates Limited has formulated and implemented two (2) 5-years strategic plans being the years 1996-2001, and the years 2003-2008 strategic plans. During the implementation of the years 1996-2001 strategic plan focus was on cost cutting. The organisation, however, continued performing dismally. In the implementation of the years' 2003-2008 strategic plan, out of the strategy critical aspects of the organisation, the organisation was only able to align its structure, culture and leadership to its strategy.

Policies, procedures and support systems, the reward, and motivational structures, resource allocation and budgetary allocation continued posing a challenge to the successful implementation of the strategy. Similarly, the importance of communication of

responsibility and accountability, with regard to the strategic plans, was overlooked. The organisation continued in its poor performance.

Githui (2006) did a study on challenges for strategy implementation in Barclays Bank Kenya Limited. The two objectives of the study were to identify strategy implementation processes within BBK and establishing and documenting the challenges for implementing strategies within BBK. In order to meet these objectives, primary and secondary data was collected. Primary data was obtained through personal interviews of respondents who were responsible for implementing strategies in BBK. Secondary data was obtained from various sources. The study established that a change committee had been set up, alongside the strategic committee to teach the elephant how to dance because BBK ran the risk of slowly turning from an eagle into an elephant. Nine challenges for implementing strategies were identified and these were the need to modernise the business, BBK's efficiency, improving the quality of BBK's products and services, building a high performance organisation, outperforming competition, the economic and political situation, the influence of foreign exchange rates, customers' expectations and demands from regulators. The processes of implementing strategies in BBK were found during the study to be quite effective measured by the financial performance as reported in the annual financial reports.

To increase the efficiency of employees, the end-to-end management team was found during the study to improve processes so that employees spent more time on service to customers and less time correcting mistakes. The team was formed to understand what

goes on in the business. The team worked with staff in service delivery and other functions to design ways to map processes step by step, identifying where and why they break down and finding ways to fix them. All the processes were designed to help the business get closer to its customers. Barclays Bank Kenya Limited had found that the one-size-fit-all philosophy of the past could no longer work in sustaining a business.

Gakenia (2008) did a study on strategy implementation in Kenya Commercial Bank. The primary data was collected using interview guide. The interviewees were the head of strategy and functional heads in charge of finance, risk management, information technology and operations, human resources, marketing and research division, and public affairs and communication division. Data was analyzed qualitatively using content analysis. Using the 7-S framework, the study found that strategy implementation process at KCB follows the basic requirements for a successful strategy implementation. The staff, strategy, structure, systems, style, skills and the shared values of the bank have been instrumental in enabling the success of strategy implementation process. The study concludes that there are three factors that have greatly influenced strategy implementation process at KCB. These factors are resources (both financial and human resources), management support and the organization structure.

In as much as state corporations are an important tool for economic development in Kenya, and have over the years practiced strategic management, there is inadequate research on strategy implementation in state corporations. Stoner and colleagues (2001) observed that the field of strategy implementation is so new that there is no consensus

about its dimensions. Further, Hrebiniak (2005) observed that management literature has focused over the years primarily on parading new ideas on planning and strategy formulation, but it has neglected implementation. Hrebiniak (2005) further argues that it is obvious that implementation of strategy is not nearly as clear and understood as the formulation of strategy. People are waking up to many challenges of strategy implementation. NHIF is a state owned development financial institution.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the method that was used to carry out the study. It contains research design, data collection and data analysis methods.

3.2 Research Design

A research design is a plan for selecting the sources and types of information used to answer the research questions. The research was conducted through a case study. Kothari (1990) defined a case study, as a very powerful tool for qualitative analysis that involves a careful or a complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. It's a method of study in depth rather than in breath.

The case study method was essential since it allowed an intensive investigation of strategy implementation in NHIF. The case study method gave an advantage of having an in depth understanding of the organization by obtaining facts from the management and staff. Study of NHIF as opposed to other state corporations is vital given the fact that it's an avenue for promoting health insurance and government has used it as a means to translating public policy on health insurance.

3.3 Data Collection

Primary and secondary data was used in the research. The primary data was collected through in depth interview with the organizations' five general managers and five line managers distributed in the various departments in the organisaton. The managers were

interviewed, using an interview guide by the researcher. An interview guide was appropriate for the purpose of getting detailed information about the organization under study. The secondary data was collected from the strategic plans, internal memos and minutes of meetings called to discuss strategy implementation in the organization.

3.4 Data Analysis

The data sought to establish the challenges of strategy implementation at NHIF. After all instruments had been completed, they were verified to ensure consistency and completeness in the information expected. The data was coded to allow for content analysis. Content analysis was the best suited for the kind of data that is to be given to the existence of certain concepts that are determined by the presence and frequency of certain words or phrases emanating from the answers to the interview guide. Content analysis is a method for summarizing any form of content by counting various aspects of the content. Content analysis is a summarising, quantitative analysis of messages that relies on the scientific method (including attention to objectivity, intersubjectivity, a priori design, reliability, validity, generalisability, replicability, and hypothesis testing) and is not limited as to the types of variables that may be measured or the context in which the messages are created or presented.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, results and discussion. It presents results on strategic management practices and implementation at NHIF and the results on the challenges of implementing strategies at NHIF.

4.2 Data Analysis

The interviews were carried out with managers from various departments. Five general managers from five different departments namely Administration, Finance, Marketing, Strategy and Human Resources agreed to take part in the study and were therefore interviewed. Five line managers were also interviewed from the same departments. They headed each of the departments hence had vast knowledge on the operational and strategic issues affecting their departments and the organisation as a whole.

4.3 Results of the Study

The study sought to establish the challenges of strategy implementation at the National Hospital Insurance Fund. The results of the interviews are shown as follows:

4.3.1 Strategic Management Practices

The National Hospital Insurance Fund indeed has a vision statement. The vision statement of the institution reads:

'To be a world class Social Health Insurance Scheme

On the other hand, the mission statement reads:

"To provide accessible, affordable, sustainable and quality social health insurance through effective and efficient utilization of resources to the satisfaction of stakeholders "

The interviewees also agreed that the National Hospital Insurance Fund has long term goals stipulated in the strategic plans. 80% of the interviewees cited that these goals covered 5 year period while 20% noted that some covered a 10 year period.

Most of the long terms plans had been reviewed since 2005. As noted from 80% of the managers, they had been reviewed on an annual basis. This point to the fact that the strategic plans are reviewed annually by the organisation.

On who were responsible for the formulation of strategies or strategic plans at the National Hospital Insurance Fund, the study found that this was mostly done by the top management (60%) and the consultants (40%). Thus it seems that the task of formulating strategies was the task reserved for the management with the help of the consultants. Employees or other stakeholders do not seem to play any role in the process.

4.3.2 Strategy Implementation

The managers were in agreement that the organisation had annual objectives. Such objectives were stipulated in the 5 year strategic plan which broke them down into which objectives were to be achieved each year. The managers intimated that these annual objectives were also set by the top management (60%) and the consultants (40%).

The National Hospital Insurance Fund also has functional strategies. These are also included in the long-term strategic plan. From the interviews with the managers, it was noted that these strategies were derived from management meetings (80%) and from government directives (20%). It is therefore clear that for the functional strategies, the government and the management set the same. Sixty percent of the managers noted that these functional strategies were last reviewed in 2007 while 20% said they had never been reviewed.

It was noted that the organisation refers to the master plan when planning to execute its activities. The managers also noted that the current policies were adequate in supporting the company's strategic plan.

4.3.3 Challenges of Strategy Implementation at NHIF

The managers were asked what challenges they encountered when implementing strategies in the organisation. Employee resistance was cited as a major challenge that strategy implementation process faced in the organisation. This is obvious given that the planning process does not involve the employees at all. The objectives are set by managers, the government and the consultants without the input of the employees.

High stakeholder expectations were also cited as being a major challenge to strategy implementation process. The main stakeholders such as the members, the government and the civil society groups had very high expectations which sometime lead to tensions

and lose of focus. But this can also be attributed to the lack of involvement of these stakeholders in the strategy formulation process.

The leadership and management styles employed by the management were also cited as a challenge. The art of excluding others in the management issues especially the strategy formulation and objective setting processes are better examples.

The wrong organisation structure was also taunted as a major hindrance to strategy implementation process. This is because the organisation has a hierarchical structure with many layers and reporting lines which hinders the execution of strategies as more time is spent passing through the reporting structures.

Unsupportive organisation culture was also regarded as a major limitation to the implementation of strategies formulated in the strategic plans. This being a public sector organisation and most of the practices being those of the private sector, the culture strategy fit was a problem. This delayed the execution of some important strategies and objectives.

Another challenge was inadequate technical know-how. The managers pointed out that the technical skills in some of the areas was lacking or was inadequate. This made it impossible to move forward as far as implementation of some objectives which demanded technical skills were concerned. This is tied to another challenge of limited technological capacity as the institution has not adopted advanced technology in most of its operations.

Government (or political) influence was also a major challenge which affected the implementation of strategies at the NHIF. There are vested interests from certain individuals in the Government and from the political class which hindered any efforts to implement some strategies.

Another major challenge was poor communication and coordination. The strategies and programs were not properly communicated to the implementers hence lacked ownership, necessary support and commitment. Other challenges included: poor management of resources, unclear objectives of strategies, lack of quantifiable measures, lack of a monitoring and evaluation programme, and inconsistency between the minimum NHIF contributions and the minimum wage levels as set by the Government.

4.4 Discussion of Findings

The challenges identified in this study as hindering implementation of strategies at the National Hospital Insurance Fund (NHIF) mirror those reported by various scholars. One of the challenges was employee resistance. This is consistent with Corbooy and O'Corrbui (1999) who found that one of the challenges was staff not appreciating the strategy. Giles (1991) also noted that one of the challenges of strategy implementation was that executors do not accept the strategy as their own.

Poor communication and coordination was cited as a major challenge to strategy implementation process. This is consistent with Alexander (1991) who noted that one of the challenges was ineffectively coordinated activities. Poor communication as a challenge of strategy implementation was also noted a major challenge by Wessel (1993).

Beer and Eisenstant (2000) also noted that poor vertical communication and weak coordination across functions were major causes of strategy implementation challenges.

The study found that inadequate technical know-how was a major challenge towards implementation of strategies. These results are consistent with Alexander (1991) who found that one of the challenges of strategy implementation was the fact that the involved employees did not have sufficient capabilities to perform their jobs. Alexander (1991) had also noted that lower level employees were inadequately trained.

The study also found that leadership and management styles were to blame for hindering strategy implementation process in the organisation. This is also consistent with Alexander (1991) who noted that one of the challenges was that departmental managers provided inadequate leadership and direction. These results are also consistent with Wessel (1993) who noted that strategy implementation challenges included insufficient top team functions as well as the top-down management style.

The findings by Wessel (1993) on the management style are also consistent with the present findings that a wrong organisation culture contributed to strategy implementation challenges at the NHIF. Management style was also taunted by Beer and Eisenstant (2000).

The study revealed that unclear objectives of strategies were one of the challenges of strategy implementation. This is consistent with the findings of Alexander (1991) that

poor definition of key implementation tasks and activities was a major challenge to strategy implementation process. This is also consistent with the findings of Beer and Eisenstant (2000) who noted that unclear strategic intentions and conflicting priorities, are a challenge of strategy implementation.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions, and recommendations.

5.2 Summary of Findings

The study found that the National Hospital Insurance Fund has long term goals stipulated in the strategic plans which are reviewed on a regular basis. These strategies are formulated by the top management and the consultants. The organisation had annual objectives stipulated in the 5 year strategic plan and was also set by the top management and the consultants. NHIF's functional strategies are also included in the long-term strategic plan. These strategies are derived from management meetings and from government directives. These functional strategies are rarely reviewed.

Employee resistance was cited as a major challenge that strategy implementation process faced in the organisation and is attributed to the fact that the planning process does not involve the employees at all. High stakeholder expectations were also cited as being a major challenge to strategy implementation process as the main stakeholders had very high expectations which sometime lead to tensions and lose of focus.

The leadership and management styles employed by the management were also cited as a major challenge. The wrong organisation structure was also taunted as a major hindrance to strategy implementation process because of the hierarchical structure. Unsupportive organisation culture was also regarded as a major limitation to the implementation of

strategies formulated in the strategic plans. Another challenge was inadequate technical know-how.

Government (or political) influence was also a major challenge which affected the implementation of strategies at the NHIF. Another major challenge was poor communication and coordination. Other challenges included poor management of resources, unclear objectives of strategies, lack of quantifiable measures, lack of a monitoring and evaluation programme, and inconsistency between the minimum NHIF contributions and the minimum wage levels as set by the Government.

5.3 Conclusions

The study concludes that there are a number of challenges which face strategy implementation process at the National Hospital Insurance Fund. These include leadership and management styles, wrong organisation structure, unsupportive organisation culture, and inadequate technical know-how.

Other challenges are government (or political) influence, poor communication and coordination, poor management of resources, unclear objectives of strategies, lack of quantifiable measures, lack of a monitoring and evaluation programme, and inconsistency between the minimum NHIF contributions and the minimum wage levels as set by the Government.

5.4 Recommendations

The study makes the following recommendations.

5.4.1 Recommendations to NHIF Management

The study recommends that there is need for more effective communication within the departments in the organisation in order to improve on the strategy implementation process. This should be done by clarifying their role and expected contribution in translating the strategic plan into the expected output.

The management of National Hospital Insurance Fund should also work on ways to institutionalize the motto, vision, mission and corporate values. By doing this it is then possible to arrest resistance from employees.

The National Hospital Insurance Fund also needs to develop and implement change management programme as a matter of urgency. This is because the company is encountering major resistance emanating from employees who are used to the old way of doing things.

The National Hospital Insurance Fund should equip the responsibility centres with the necessary capacities. There is less capacity in terms of technical skills and technological capacity. By providing the necessary capacities, these issues will be effectively tackled.

The National Hospital Insurance Fund should also utilize the monitoring and control systems effectively in order to provide feedback on the implementation process of strategy.

5.4.2 Recommendations for Policy and Practice

The study recommends that the Government should stop interfering in the operations of NHIF as far as implementing stated objectives are concerned. Government interference has stalled implementation of various strategies in the organisation.

The political class should also respect the independence of the National Hospital Insurance Fund by keeping politics of the management of the organisation. This would improve the strategy implementation process in the organisation.

5.4.3 Recommendations for Further Research

More studies need to be carried out in other organisation in order to determine what challenges the strategy implementation process go through and come up with ways of mitigating the challenges.

An industry wide study should be carried out comparing private vs. public sector firms as far as the challenges of strategy implementation are concerned. This way, it would be possible to show whether the challenges are unique to certain organisations.

5.5 Limitations of the Study

The major limitation of the study is that the study used a case study design. This was a case of the National Hospital Insurance Fund and the results may not apply to other organisations either in the public or private sector.

Another limitation is the over reliance on the testimonies of the managers in the organisation. The study interviewed the managers and did not take into account other stakeholders of NHIF hence the results may be biased towards the same.

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7. Who formulates strategies at NHIF?

8. Does NHIF have annual objectives? If yes how are they set?

9. Does your department have functional strategies? If yes, where do you derive them?

10. When were the above functional strategies last reviewed?

11. Were there any changes of policies in the company in 2005? If no, have they been changed since that year? (Please state the year).

12. Does the company refer to the master plan (2005-2010) when planning to execute its activities?

13. Do the current policies (2005-2010) support the company's strategic plan?

14. What are the challenges that you encounter when implementing strategies at NHIF?