

**STRATEGIC RESPONSES AND PERFORMANCE OF NAIROBI
CITY WATER AND SEWERAGE COMPANY LIMITED**

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DECLARATION

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

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DEDICATION

I dedicate this work to my late mum and dad Justus and Irene Liambila Mafura who gave me a solid educational background despite their life struggles. My husband Wanjala Kuloba; I appreciate you for being there for the family. My children who are all grown wherever you are; Murunga Ben, Dr.Nabukwangwa and Norah Khakasa –you encouraged me a lot. My niece Ruth who was always minding about my welfare, my grand children whom am sure will affect their generation-Dwayne Israel (Haba), Purity Ivanna Nekesa and Quavo Murunga. To all of you; when history will be read; your names will appear somewhere in the annuls of history. You mean the whole world to me. It is my earnest prayer that you influence your generation.

ABBREVIATIONS AND ACRONYMS

AWSB	Athi Water Services Board
BOM	Board of Management
BOD	Board of Directors
CCN	City Council of Nairobi
CGN	County Government of Nairobi
DAWASCO	Dar Es-Laam Water and Sewerage Corporation
EPA	Environmental Protection Agency
GSDG	Global Sustainable Development Goals
ICT	Information Communication Technology
KBS	Kenya Bureau of Standards
KMTP	Kenya Medium Term Plan
LIAs	Low Income Areas
MDGS	Medium Development Goals
M&E	Monitoring and Evaluation
MWI	Ministry of Water and Irrigation
MTP	Medium Term Plan

NCWSC	Nairobi City Water and Sewerage Company Limited
NGOs	Non-Governmental Organizations
NWSS	National Water Service Strategy
QMS	Quality Management System
SDGs	Sustainable Development Goals
SPA	Service Provision Agreement
TAT	Turn Around Time
ULIA	Urban Low Income Areas
WAGs	Water Action Groups
WASREB	Water Service Regulatory Board
WSB	Water Service Board
WSP	Water Service Provider

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ABSTRACT

This study was carried out to determine the strategic responses adopted by Nairobi City Water and Sewerage Company (NCWSC) and establish their impact on performance. The study adopted a case study design to determine the strategic responses adopted by NCWSC. This is believed to be the most appropriate design to be used as it gives some in-depth and intensive investigation of the particular topic of study. The study used both primary and secondary data. Primary data was collected using a semi structured interview guide for consistency. Eight directors referred to as Board of Management (BOM) and ten managers in key departments were targeted to be interviewed due to their key positions as they make decisions that shape the direction of the company. Data was analyzed using content analysis describing the composition of the objects or materials of study. The study concluded that NCWSC like any other organization is faced with both internal and external challenges which impact on the performance of the firm. To be able to sustain competitiveness; the company has been able to come up with key strategic responses that are perceived as drivers in dealing with the challenges. The most popular strategic challenges that the firm has adopted were strategic planning, innovation, customer satisfaction, outsourcing and reduction of Non-Revenue Water (NRW). The strategies have been adopted in anticipation that they will translate to improved performance. The study found that NCWSC has been able to improve its performance in terms of delighting its customers and improved revenue collection by using innovation. Customers have been able to transact their business with the firm in the comfort of their homes by using the technology that NCWSC has adopted. Customer satisfaction index has risen. It was also revealed that some outsourcing activities do not add much value to the firm and they should be phased out so that the firm can realize some gains and plough the money back to improve its services. It was concluded that there is a significant relationship between strategic responses and performance of NCWSC. The study recommends collaboration/partnership as a priority and a long term strategic response. This is because NCWSC receives water from other counties and the current devolution set up has opened another dimension on jurisdiction of water sources/resources hence creating conflicts that have arisen which require urgent resolution. If the current conflicts continue, it is likely to escalate and affect the operations of NCWSC.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic responses are perceived as key drivers in dealing with environmental challenges that every organization faces based on the dynamics as they strive to meet customer expectations and demands. Organizations depend on the environment and the dynamism of the environment provides both opportunities and threats to the organization. Pearce & Robinson (2005) argues that strategic responses are actions that are designed to enable the firm to adjust appropriately to the prevailing environment. Several studies have shown that organizations that have adopted strategic responses have effectively responded to environmental dynamics while maximizing on their core competencies hence providing value addition to their goods and services which gives them a competitive advantage against their competitors (Grant 2003).

This study will delve on theories advanced to explain strategies adopted by firms to improve performance in the ever changing business environment. For this particular study; the theories that have been adopted as a guide will focus mainly to underscore the environment dependency theory, institutional theory and performance theory. Environmental dependence theory depicts that organizations are open systems where its internal environment will continuously interact with the surrounding environment which will have an overall influence on their business performance (Kirui 2014). Institutional theory stipulates that organization decisions are driven by both efficiency goals and social cultural factors and concerns for legitimacy Meyers and Rowan (1977). On the other hand;

performance theory presupposes that an organisation is a structured entity established for achievement of specific goals (Schechner,2003).

In Kenya; the water sector remains a strategic component in the accomplishment of the aspirations of the national economic development blue print, Vision 2030 based on the three pillars –economic, social and political –geared towards producing a newly industrialized middle income Kenya, with an inspiration of providing a good quality of life to all its citizens by the year 2030. Water is valued as an economic and social good and is core to the three pillars and accessibility in an efficient manner is critical for the achievement of the overall goal of vision 2030. Nairobi City Water and Sewerage Company (NCWSC) operates in a complex environment with lots of uncertainties that require effective strategic responses to be able to survive in the ever changing environment. Some environmental aspects that the firm operates are very sensitive and require effective responses to be able to survive. Strategic responses have been described as the most effective in enabling the firm to cope with the environmental changes.

1.1.1 Strategic Responses

Strategic responses are the adaptation and re-orientation to the changing environment by a firm (Ross, Hitching and Worley, 1996). It involves changes to the organizations strategic behaviours. These responses may take many forms depending on the organizations, capability and environment in which it operates. It can be simply put as the different initiatives and interventions that an organization takes to align itself to the prevailing environment. Ansoff and Mc Donnell (1990) depicts strategic management as a systematic approach to change management which comprises; positioning of the organization through strategy and planning real time strategic response through the management of problems

and systematic management of resistance during strategy implementation. Strategic responses are those reactions either reactive or proactive that organisations undertake in order to align or adjust to the external environment (Porter 1988).

These reactions can be reactive if an organisation responds to them after they have occurred elsewhere and have started affecting their businesses. Similarly, they can be proactive if an organisation is able to foresee and plan for them before they affect their businesses. These reactive or proactive forces are the firm's structures and processes, technology, human resources and financial resources. Firms operate in an ever changing environment hence putting pressure on the firm to devise coping strategies to respond and adapt to the environmental changes in order to remain competitive and survive the onslaught.

The environment comprises of opportunities, threats and constraints; rising prices, competition and technological changes that are important topics requiring organisations to find ways to manoeuvre in order to survive. Strategic responses have been described as effective in enabling a firm to cope with environmental alterations. According to Ansoff and McDonnell (1990), increased competition has created fundamental shift in the economic environment where organizations have to come up with proper strategic responses to stay afloat. The strategic responses involve changes in the firm's strategic behaviours to assure success in transforming future environment. It has been described as effective in enabling a firm to cope with environmental alterations. These responses are changes which take place overtime to the strategies and goals of the organization. Such change can be dramatic or gradual (Thompson,2007) On the overall; Well-defined and aligned strategic responses form a formidable weapon for the organisation in obtaining and sustaining competitiveness. It is a means to counter challenges in the environment.

1.1.2 Organizational Performance

The degree of measure of performance of a given firm depends on its efficiency and the market where it operates. It may also be defined as the power of a business to implement activities better rather than focusing on its competitors. In this study; the later definition will be adopted. Pandey (2007) affirms that the concern of a firms' performance is its ability to utilize its assets to earn sufficient revenue for long run business sustainability while Gary and Birger (1989) concluded that organizational factors influenced its profitability more than that of its economic factors. Weiss and Hartle (2008) depicts that successful organizations realize the importance of ongoing performance measurement practices.

Wernerfelt (1984) postulates that organizations performance could be assessed using resource-based view. Day (2004) posits that organizational performance can be linked with human resource productivity, organizational learning, quality improvement and market orientation. The researcher in this case will adopt the firm's performance measurement aspects such as; how it strives to equitably distribute available water in the face of expanding human and commercial needs, quality of service delivery; expansion to other regions; innovation; customer and employee satisfaction; human resources and employee morale and the effectiveness and efficient utilization of the firm's assets.

According to the Impact Assessment report for the year 2015/2016 and year 2016/2017 respectively; there is projected that there is a likely increase in the urban population from 13million in the year 2010 to 46 million by the year 2030 as depicted by the National water master plan of 2030. There is a likely population that will reside in the urban low income areas (ULIAs)hence creating a strain on the available water resources. The unpredictable

climatic and weather changes and the effect of the drought that was experienced in the year 2017 is a lesson that water services providers should learn and stay vigilant and ensure they put the necessary interventions in place as this will result in the achievement of the Sustainable Development Goals (SDGs) emphasizes on the stability of resource base in delivery of service provision.

1.1.3 Water Service Providers in Kenya

The Ministry of Water and Irrigation (MWI) is responsible for formulating the National Water Policy and carrying out reforms in the water sector. Among their major objectives is increasing access to sustainable and affordable water services. The Government vision for the water and sanitation sector is to ensure water and improved sanitation availability and access to all by 2030 (Kenya Vision 2030, 2007). In order to address the problems associated with access and provision of water services, the Government embarked on the water reforms in 2002, through the reviewed Water Act 2002 which has since been reviewed to Water Act 2016. The Act was to address the inadequate Institutional framework, the inefficient operational and financial systems.

The new statute created new institutions; Water services Regulatory Boards (WASREB) which was mandated with the responsibility of regulating and licensing water and sewerage provision and maintenance of quality standards. Water Service Boards (WSB) is responsible for provision of water and sewerage services within the area of their jurisdiction. Water Service Providers (WSP) appointed by WSB's under agreements with the function of retailing water and sewerage services to residents of their areas of a particular WSB. On the overall there is unequal distribution of water service provision in the urban areas. The inequality in water distribution is deep rooted in the informal set up

compounded by poor urban planning which creates an imbalance whereby the high end users are more favoured in the distribution, demand management and weak incentives and resistance to change. More water to urban areas does not necessarily result in equitable water distribution

1.1.4 Nairobi City Water and Sewerage Company Limited

The Nairobi City Water & Sewerage Company was incorporated as a private company limited by shares under the Company's Act (CAP 486) in May 2004 as a provider of quality water and sewerage services to the residents of Nairobi and its environs. The shares are held by the Nairobi County Government (NCG) as the trustee. It is licensed under the Service Provision Agreement (SPA) signed between the Company and Athi Water Services Board (AWSB). The terms of the SPA were stipulated on the enactment of the Water Act 2002 which has since been reviewed to Water Act 2016. The Company took over this service from the defunct City Council of Nairobi (CCN) under the supervision of Athi Water Services Board (AWSB) under the terms of signed SPA. The objective is to ensure adequate and quality supply of water, affordable tariffs, maintenance and improvement of water and sewerage infrastructure.

NCWSC serves a population of over three million residents of Nairobi. The company achieves its objective by proper utilization of available resources in an effective manner. Though 100% owned by the NCC government, it has operational autonomy to enable it run efficiently and without interference. The company has an independent Board of Directors (BOD) constituting of professional individuals drawn from private sector organizations, professional bodies, the NGO sector and the county government of Nairobi. Since its inception; the company has faced a raft of problems which include; more than

2000No. staff inherited from CCN, a six months' backlog in billing among its consumers, a customer database that had not been updated for several years and liabilities which continues to pose a challenge in its operations and a dilapidated infrastructure.

1.2 Research Problem

Porter (1988) posits that organizations do not exist in a vacuum. They exist as open systems constantly interacting with the external environmental forces to determine their effectiveness and performance. It is therefore important for management of any firm to establish components of external environment that are likely to change in the near future. Organisations get their inputs such as raw materials, labour, services, machinery and outputs such as customers, products, competitors, etc. from the external environment. Organisations have for one reason or another realised that they cannot survive without the inclusion of the external environment-hence organisations are environment serving. This realization has made a classical pool of competition on the part of businesses to compete for the customer and the scarce resources available in the market.

Roeller and Waverman (2001) posits that organizations need to respond effectively and efficiently to challenges/problems and opportunities as they arise to meet the ever-increasing customer expectation of service delivery. Organizations are forced to focus on the way services should be provided other than relying on the traditional internal concerns. Further, organizations should focus on major opportunities for improvement in order to create a competitive environment (Ansoff, 1987).

Kenya is classified as a water scarce country. Access to sustainable water and sanitation services remains one of the biggest challenges facing people living in the developing world

both rural and urban setting with major impacts on their health and social economic status. With growing urban population; NCWSC is not immune to the accelerating rate of changes in operational business milieu hence the need to quickly adjust to the powerful pervasive forces altering the environment in which they operate in order to improve in service delivery and meet the water demand as the desired projection.

There has been differing views in regard to the relationship between strategic planning and performance which necessitates that further studies on this relationship be done. This research study is to establish the influence of strategic responses on performance of NCWSC. Several studies on strategic responses have been undertaken in various sectors of the Kenyan economy since 1990s. None of the previous studies has ever covered on the Nairobi City Water and Sewerage Company especially their success factors in Kenya. Most of the studies focused on firms' competitive environment and yet no two organizations are perfectly similar and thus whatever works for one company may not work for the other. This is because the managerial processes at NCWSC are different from those of other industries covered in previous studies.

1.3 Research Objective

The objectives of this study is to establish the influence of strategic responses on performance of Nairobi City Water and Sewerage Company

1.4 Value of the Study

The study will be significant to Nairobi City Water and Sewerage Company management staff and water sector related companies as it will enable them to understand and appreciate

the strategic responses that NCWSC has adopted which are perceived as key drivers in dealing with environmental challenges and their influence and implication on performance. This study should also be seen as a lesson to the sector to on the benefits of having effective strategic responses that will enable the firm to cope effectively with environmental alterations so as assure success in transforming the future environment.

The study will assist NCWSC and stakeholders in the water sector in formulation of policies, standards, guidance and procedures for tackling environmental challenges that are likely to affect the performance and eventual survival of the firm. It will be a useful resource for the company in understanding the need and usefulness of adopting appropriate strategic responses that ensures improvement in water service provision. The study will be of significant value and resourceful contributions to WSPs planning and reshaping organizational effectiveness in delivery of their strategy. Similarly, it will bring out opportunities that may exist and enhance planning process through best practices that can be scaled up and lessons adopted to inform other WSPs practices to deliver their mission.

Academicians will also benefit from the findings of this study since it will provide additional knowledge to the already existing literature on strategic responses and their influence on performance. The study will also assist individual researchers to identify gaps in the current research and carry out research in those areas. It will as well assist academicians and scholars interested in issues pertaining to strategic responses and its relationship to organizations' performance in water service providers, especially in the developing countries and highlight further areas of research. The study will build the body of knowledge for more expounded research which they will use as a reference for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will analyse the scholarly theoretical foundation and the empirical review of the past related studies that are related to strategic responses and performance of Nairobi City Water and Sewerage Company.

2.2 Theoretical Foundation

This section entails the specific theories that will form the basis of the study on strategic responses adopted by the organization to enhance performance and survival in a competitive environment. The study is anchored towards the three theories namely institutional theory, environmental dependence theory and performance theory that will be discussed at length.

2.2.1 Institutional Theory

This is the overarching theory which provides an enrichment and multiple complex view of organizations. The theory depicts that organizations are influenced by normative pressure arising from external and even internal forces. The theory was developed by Meyer and Rowan (1977) who asserts that certain development of the formal structures are usually affected by the institutional factors more than the market forces in which the organization operates. Thus there is need for the innovation structures that will increase the technical efficiency of the organization. All the organization tends to adopt the formal structures even when it does not increase the efficiency of the organization. They further argued that ‘institutional myths’ may be ceremonial in a company for it to gain legitimacy, hence survival of the firm.

The institutional theory is supported by Tolbert and Zucker (1996) who evaluated the rate of adoption of civil service organizations in the USA from 1880-1935 and the results tend to support the institutional theory as advanced by Meyer and Rowan. They found that when coercive pressures are high, organizations adopt quickly to new structures. Under low coercive pressures the rate of adoption is much slower. Increased adoption builds legitimacy in the institutional environment, accelerating the rate of adoption of the new structural form. Furthermore, Tolbert and Zucker confirmed the hypothesis that while early organizations adopt the new form to improve efficiency, later organizations adopt the structural form to maintain legitimacy. Quantitative models predicted civil service adoption based on city characteristics (in early time periods), but failed to predict adoption in later time periods.

According to Oliveira & Martin, (2011), institutional theory shapes the organizational structures and function in order for the organization to be sustainable in the operating environment. The theory further stipulates that organizational decisions are driven by the efficiency and socio-cultural factors as well as legitimacy concerns. Organizations are made up of the structures, culture and routines which are affected by the environment which will ultimately affect the performance of the organization. Firms should develop and implement strategies that will enable them to remain competitive and sustainable if influenced by the institutional factors such as external isomorphic pressures from customers, the government, partners and competitors.

2.2.2 Environment Dependency Theory

The relationship between the organization and the environment has increasingly drawn the attention of scholars who consider the subject as a special case of the more general study

of organizations and their environment. The natural selection model develops the strongest argument for an environmental perspective which posits that environmental factors select those organizational characteristics that best fit the environment (Hannan & Freeman 1974).

The theory was developed by Aldrich and Pfeffer (1976) who argues that organizations are developed with specific goals and objectives. They argued that organizations are established in order to achieve economic goals that guide their strategic directions, whether or not are stated in the mission and vision statement. The strategic decisions are important in the organization since it guides the organizational survival, growth, customer satisfaction and profitability. However, organizations operate in an ever-changing environment that guides which strategic direction to take, hence the organization needs to adapt and respond comprehensively by the use of appropriate strategic response techniques, Pearce & Robinson, (2003).

According to Ansoff and McDonnell (1990), organization are affected by the environment since they cannot entirely control their own activities. It suggests that environmental framework affects the performance of the organization. Environmental dependence theory assumes that organizations are open systems, where the internal activities are highly affected by the changes in the external environment (Kirui, 2014). Thus, there is need for the organization to constantly monitor and scan their external environment and develop strategies that are appropriate to the changes in the external environment in order to be sustainable and competitive in the industry. The degree of competitiveness depends on the strategies developed and how it is being implemented to the changes in the external environment.

The survival and sustainability of the firm depends on how well it is able to relate and competitively position itself in the dynamic environment (Pearce & Robinson, 2007). According to Jackson & Morgan (1982), when organization environment changes, the organization must adjust in order for them to remain competitive and those with the appropriate strategic responses tend to be more successful. The theory is important in the study as it indicates how the environment affects the performance of the firms, and the strategic responses will be developed in regard to changes in the environment. There is need for continuous scanning and monitoring of the internal and external environment, effective formulation and implementation of strategic responses in order for the organization to be competitive and sustainable in the environment (Thompson & Strickland, 2003).

2.2.3 Performance Theory

This theory was developed by Schechner (2003). It posits that organizations are developed for a specific objective and goals which are guided by the resources, functions and activities of the organization. The resources consist of the physical resources, human resources, financial resources and information resources. When all these resources are combined, they lead to certain goals in the organization. Organizations are primarily developed to make profit and to ensure customer satisfaction in their provision of products and services by undertaking legally acceptable activities and function. Organizations are purpose driven, with maintained boundaries and socio-cultural systems of human activities (Aldrich, 2009). Organization strive to improve on their performance by enhancing their productivity levels, being more effective and efficient in their operations and deploying strategies that work well in the industry in regards to the environment. Thus, there is need for a comprehensive

analysis of the strategy being implemented in the organization in order for the firm to attain their objectives and goals within a given time period. According to Dess and Robinson (2011), organizations are performance driven and since the organization does not operate in a vacuum, there is a need to develop strategies that will enhance the performance of the firm. This will go in line with the environment capabilities and threats that it will influence the performance of the organization.

The theory is important because it gives insights on the performance paradigms such as market share, innovation, customer and employee satisfaction, efficiency and effectiveness of utilization of a firm's assets, human resource and employee morale, quality of products and services that are essential in the organization, and what actually triggers the performance in the organization and the ability of the organization to enhance performance through the adoption of the appropriate strategic responses.

2.3 Strategic responses and performance

Strategic responses are actions taken to align the current strategy of a business to environmental changes so as to gain competitive advantage. Strategic responses ensure that an organization survives in the ever-changing environment and therefore improves in overall performance. Strategic responses help an organization to actualize its going concern assumption. Through strategic responses, an organization is in a position to enhance its relevance in the environment thus staying on course with its operations (Mitchell, 2014).

Various studies have shown that there exists a relationship between strategic responses and performance. According to Cahore and Vertisky (2000) they observe that, in the era of declining resources; it is exceedingly important to understand the relationship between

strategic responses and how such policies influence the performance of firms. Oliver (1991) presents a theoretical framework on relationships between strategic responses and firm performance. Her studies have found room for scholars to enhance and expand on the understanding of factors that influence organizations on the choices of strategic responses to address institutional performance.

The study carried out to explore effectiveness of coping strategies by commercial Banks to environmental dynamic in Senegal Diallo (2012) found out and summarized a quadruplet pronged approach strategic response utilized by banks in Senegal to improve performance. The four are what he refers to as differentiation, mergers, strategic alliances and product innovation. Banks that employed these strategies were found to be efficient in their operations and demonstrated their ability to retain a large clientele. Kesekendi (2013) underscores a strong presence of a relationship between strategic responses and performance. In his study, he found that the adoption of strategic responses allowed manufacturing firms to adopt effectively to the changing environment. This makes it easier for such firms to continuously record good sales and profitability.

According to Imaligat (2015), product innovation, differentiation, strategic alliances and mergers are the commonly used strategies by Barclays Bank in Uganda. In his investigation on strategic responses of mobile money transfer services with the bank in Uganda, the assessment of this study was that the implementation of these strategies enables the bank to effectively cope with changes in the market and guarantee survival. Consequently, the bank was able to cater for the growing needs of its customers and clientele. This influenced the bank's ability to improve customer loyalty, growth in sales and increased profitability.

2.4 Empirical Studies and Knowledge gap

In Brazil, Akhter and Barcellos (2013) examined how strategic alliances and threats from competitors affected performance of Business-to-Business firms. The study revealed that Brazilian firms mostly have adopted mergers and acquisition, technological developments, capacity management and customer expectations as key strategic responses. The study was however limited to Brazilian firms and hence a need for a similar study in Kenya.

In the banking sector of Iraq, Jassmy and Bhaya (2016) examined how strategic orientation affected performance. Primary data was collected using questionnaires. The analysed findings indicated that competitive advantage played a significant mediation role and had an influence on performance. The study revealed that for real estate banks in Iraq to be successful, a balance should strike between competitor and customer orientation so as to attain highest level of performance among rivals. The study was done in the financial sector of Iraq. It was also limited to competitive advantage and not performance.

In Senegal, Diallo (2012) examined the effect of coping with environmental turbulence among commercial banks. The analysis of the findings indicated that banks in Senegal mostly adopted the following strategic responses; innovation of new products, formation of strategic alliances, differentiation of their products and formation of mergers and acquisitions. The study established that adoption of these strategies increased efficiency in the whole banking sector and therefore greater customer retention and satisfaction.

In Uganda, Imalingat (2015) sought to determine the key strategic responses applied by Barclays bank. The study established that innovation of new products, formation of mergers and acquisitions, differentiation of products and formation of strategic alliances

were key strategic responses that Barclays bank of Uganda had implemented. The study further revealed that by implementing these strategies, the bank was in a position to effectively handle environmental turbulence hence sustainability of the banking services. This resulted into growth in sales revenue, customer loyalty and profitability of the bank. The study was however limited to banking sector in Uganda and not in Kenya.

Muchiri Ombui and Iravo (2017) examined how strategic responses affected performance of oil marketing firms in Kenya. By collection of primary data using questionnaires and analysis using SPSS software, the study established formation of strategic alliances, strategic differentiation had significant influence on performance. On the other hand, outsourcing and mergers and acquisitions had insignificant effect on performance. However, the study was done in energy sector, hence need for a similar study but in a water and sewerage service provider.

In the retail sector (supermarkets) in Kenya, Matata and Oduor (2014) sought to determine how strategic alliances affected performance. The study utilized correlation design. The sample of the study entailed supermarkets in Kenya (Uchumi, Ukwala, Tuskys, Nakumatt and Naivas). From the findings, technological strategic alliances and performance were positively and significantly correlated. This study however was limited to supermarkets. It also concentrated in one aspect of strategic responses, that is strategic alliances. There is therefore need for a similar study in Kenyan water and sewerage service providers.

A study was conducted by Kimunguyi (2013) to investigate how strategic responses affected agrochemical firms in Kenya. A descriptive survey design was adopted to achieve the objectives. Data was collected using questionnaires. From the findings, agrochemical

companies have mostly adopted go-to-market and differentiation strategies in response to environmental turbulence. The study was limited to agrochemical firms that operate in different industry. There is need for a similar study to cover the water and sanitation companies in Kenya.

Using a case of Faulu bank, Kamau (2014) sought to determine how strategic responses affected its competitive positioning. The study adopted a case study research design. Data was collected using questionnaires. The analysis of the findings showed that the two key strategic responses adopted by Faulu bank that significantly affected its competitive positioning were differentiation and formation of strategic alliances. However, the study was limited in the financial sector resulting into a contextual gap. There is need for a similar study to be carried out in the water service sector hence the need for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the type of research design that was adopted and used by the researcher, data collection methods and the analysis of the findings of the study

3.2 Research Design

The study adopted a case study research design. This was deemed the most appropriate and best considered in this study due to its ability to give the in-depth and intensive investigation of the particular topic being studied. It gives a richer information about the organization being studied and this enabled the researcher to address the objective of the study adequately. The case study research method had been used by researchers in carefully planned and crafted studies of real life situation issues and problems.

Case study research method is defined by Yi (2003) as an empirical inquiry that investigates a contemporary phenomenon within its real life context when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used". The case study method deals with the processes that take place and their interrelationship. The objective of the case study method is to locate the factors that account for the behavior patterns of the given unit as an integrated totality (Kothari, 1990). This also involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces in-depth rather than breath of a study.

Case study research design helps simplify complicated issues or objects. It extends the learning while strengthening what is already known through previous research. It

emphasizes a detailed contextual analysis of a limited number of events or conditions and their relationships. Case study research design has been used by researchers for many years across various disciplines.

It has also been confirmed that case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations (Cooper and Schinder,2005).

The research design was a descriptive study of the strategic responses adopted by NCWSC in the changing environment while analyzing the performance.

3.3 Data Collection

Both primary and secondary data was used in this study. Secondary data was obtained from written papers, unpublished project reports, NCWSC's business plan, staff magazines- NCWSC newsletters, annual reports and records, NCWSC's information management system and impact assessment report. Primary data was collected using pre-planned and semi-structured interview guide for consistency. This also enables the collection of detailed and in depth data from the respondents. The method also allows clarification and a better understanding of the questions being asked during the interview while interacting one on one with the respondents as a communication to allow for flexible data collection.

The respondents that were interviewed are eight Directors who are top level management referred to as Board of Management (BOM). In their capacity as Directors; they make crucial decisions as they steer the company in their various directorates while shaping the direction of the Company. They ponder the strategic objectives and mission. Ten Managers drawn from key departments were also interviewed since their contribution was critical in meeting the objective of this study and their main tasks include translating the general

statements of direction and intent generated at corporate level into concrete functional objectives and strategies for individual business units of the firm. The Managers that were identified and interviewed for the study were Manager; Finance, Corporate Planning Manager, Monitoring, Planning and Evaluation Manager, Human Resource Manager, Research and Development Manager, 1 Regional Manager who represented the 6 Regions, Billing Manager, Customer Relations Manager, Supply Chain Manager, Operations and Maintenance Manager (O&M) and Information and technology Manager (ICT).

The interview was done at the workplace during less busy moments after a confirmation with a phone call. During the interviews, clarifications were done to clarify issues that were based on the objective of the study.

3.4 Data Analysis

Data analysis is defined as examining what had been collected in a survey or experiment and making deductions and inferences” Kombo and Tromp (2006, p. 117). Qualitative analysis was conducted in this study. The data analysis sought to establish the strategic responses and their influence on performance at NCWSC. This constituted establishing the nature and effectiveness of the strategic responses adopted as well as factors that influenced performance. Qualitative method constitutes content analysis which was used to extract key themes, concepts and augments.

Use of content analysis enables huge volume of data to be sifted through with ease in a systematic fashion. It was a useful technique in discovering and describing the focus of Individual, groups, institutional or social attention. It also allowed inferences to be made which was then to be collaborated using other methods of data collection (Weber,1990).

Content analysis has been used to conduct similar qualitative studies in the past which include; Mugenda and Mugenda (2003) among others; hence the suitability for this study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the analysis of data, findings of the study and discussions. The objective of the study is to establish the influence of strategic responses on performance of Nairobi City Water and Sewerage Company limited. The study adopted a case study design and it targeted 8 Directors and 10 managers who are in key positions in the firm. Primary data was collected by using a structured interview guide and an in depth interview. Content analysis was used to analyze the data which was analyzed based on the objective of the study.

4.2 Response Rate

The nature of the study necessitated the focus on senior management staff of Nairobi City Water and Sewerage Company Ltd. All the 8 functional directors were listed for face to face interview and 10 key managers out of a population of 37 were targeted for administration of structure questionnaire and face to face interview. The sample of 10 managers was based on the key roles they are positioned in terms of functionality in formulation rollout and actualization of the company's corporate strategic plan. 7 directors were available for the face to face interview, whilst 8 managers responded to the questionnaire at the stipulated time. This translates to a response rate of 83.3% which was considered adequate for analysis and making conclusion and recommendation of the study.

4.3 Challenges Facing NCWSC

The study sought to inquire from the respondents whether NCWSC faces any challenges that affect their effectiveness and performance. All the respondents affirmed that NCWSC

like any other organization faces both internal and external challenges. The challenges emanate from both the external and internal environment. The challenges that they cited among others include; political, social, economic, legal, technological, regulatory and unpredictable weather patterns. They stressed that NCWSC has faced many challenges since its inception since most of them have been at the helm of the company since its inception.

The historical background which applied to all other local authorities contributed to some of the challenges. This included inherited staff from the defunct Nairobi City Council with huge salary arrears and dilapidated infrastructure. The water sector had suffered from diverse challenges compounded with institutional and financial challenges and the exponential growth of Kenya's urban areas which puts an ever increasing pressure on utilities to extend services to new areas forcing the firm to initiate relevant responses in order to meet the ever increasing customer demand and expectations. This confirms Porter (1988); who argues that organizations are open systems constantly interacting with the environmental forces to determine their effectiveness and performance.

4.4 Strategic responses adopted by NCWSC

Based on the above information; the respondents were asked what strategic responses NCWSC has adopted in order to remain competitive and effective. The respondents overwhelmingly agreed that NCWSC had identified and prioritized their strategic responses in order to remain competitive and relevant. They pointed out that NCWSC like any other water service providers faces challenges in delivering quality service to customers.

The respondents who are key decision makers are privy to the challenges facing the firm and their likely impact prompting the company to identify specific responses as relevant interventions and initiatives in managing the challenges. From the revelations, it was clear that NCWSC adopted specific strategic responses that are perceived as key drivers in dealing with environmental challenges while remaining relevant and legitimate as a water service provider.

The responses that have been adopted are strategic planning, innovation, customer satisfaction, outsourcing and reduction of Non-Revenue Water (NRW). The respondents agreed that much focus has been put on the above strategies with an anticipation that it will translate to improvement in performance and service delivery. This confirms Pearce & Robinson, 2003 who states that organizations operate in an ever-changing environment that guides which strategic direction to take, hence the organization needs to adapt and respond comprehensively by the use of appropriate strategic response techniques and supported by Jackson and Morgan (1982) who contends that when organization environment changes, the organization must adjust in order for them to remain competitive and those with the appropriate strategic responses tend to be more successful.

It was revealed that NCWSC embraced strategic planning right from its inception after doing a thorough diagnostic assessment of its past and recent history while analyzing of its capacity to meet the desired future. The analysis was done to allow the organization to direct and focus its efforts based on its strengths, weakness, opportunities and threats since water sector is not immune to the accelerating rate of changes in operational business milieu. Water and sewerage services are typically influenced by demography given the

rapidly increasing population in Nairobi which exerts pressure on the existing infrastructure.

The rolling of the three (3) year transitional strategic plan for the period 2004/2005-2006/2007, 2007/2010 and a five-year strategic plan spanning between 2011 and 2015 was geared towards giving the overall strategic direction. The review of the 2010/11 to 2014 strategic Plan shows that from 2010/11 to December, 2013; the third plan achieved 74% overall implementation of the strategic plan activities. By instituting and internalizing the strategic management process; NCWSC marked the beginning of an efficient and effective management system which is more pro-active and competence based.

This internal environment scrutiny was done by reviewing the company's value chain and support services. External environment analysis identified factors outside the control of the organization that require urgent interventions. If no interventions measures are put in place; the same are likely to crystallize and impact on the performance of the firm either positively or negatively. Any positive impact is referred to as opportunities while negative impact are acknowledged as threats. This analysis is done by reviewing of the Political, Economic, Social, Technological, Legal and Environmental (PESTLE) factors which are outside the control of NCWSC.

The respondents agreed that strategic planning had greatly contributed to the survival and improved performance of the company. The respondents noted that through strategic planning and commitment to have the plan effectively implemented, major projects of the company were brought into success. This confirms the argument as stated by Hofer and Schendel (1978), Miller and Cardinal (1994) who argue that firms record improved performance once they effectively embrace strategic planning.

Majority of the respondents were optimistic that strategic planning as an idea offers the company an opportunity to prepare for today and even looks into the unforeseen unpredictable future. It helps the firm to succeed effectively in an ever changing operating environment. A well thought written strategic plan can be the end result of a planning process as it summarizes what the firm does, why it does it, what it is trying to achieve or accomplish, and how it will meet its desired goals and aspirations.

The respondents who are the key decision makers of NCWSC highlighted numerous benefits that strategic planning offers. The benefits include a clear clarification of the firms' overall vision and mission and its distinct identity. This allows the top management to focus and channel the allocation of the available resources to the critical activities of the firm. They emphasized that strategic planning acts as a link to the budgeting and planning to maximize on the use of the available resources. A well- plan inspires institutional members and external interested parties. A clearly outlined and defined objective of the firm increases internal synergy and external support. A strategic plan acts like a significant evaluation tool which measures the performance over a given period of time. Strategic planning also serves as a guide to future dynamics affecting the organization.

It was revealed that since the inception of the Company; NCWSC has undergone a major metamorphosis to be able to meet the customer demands and expectations. This is due to the pressure from the Government and other legislative bodies which has continued to pile pressure on the firm forcing it to progressively adopt the new technological trend which is consistent with technology based innovation to improve on service delivery. This is in line with Porter (1980), Quinn (1980), Ohmae (1983) and Kotter (1996) who equips that the identification of strategic issues, strategy analysis and selection facilitates the achievement

of efficient and effective resource allocation, innovation and sustainable competitive advantage.

The major technological innovations that the company has adopted and implemented include mobile Field Assistant (MFA) that has gradually seen progressive improvement of meter reading and billing efficiencies increasing to 89% efficiency. In 2013, the billing efficiency was at 64% and out of the average 220,000 accounts extracted for reading, on average 195,000 are read and billed on actual reading on monthly basis. The billing cycle is 30 days and since January 2016, bills are sent to the customers electronically. Every day, the corporate-level billing department extracts from the CMS list of accounts to be read. They are then sent to the respective regional meter reading and billing coordinators with priorities given to the High Consumption (HCs) accounts which translates to 100% collection efficiency.

The company has been successfully implementing Mobile Field Assistant (MFA) technology-based solution in meters reading and billing with positive results. This mobile phones based technology will now be extended to other key operations including disconnections to enhance revenue collection, water supply fails and responses to other customer complaints. The main indicators for attainment of this secondary objective will be reduced customer complaints and increased revenue. Key actions to be pursued is designing, piloting and rolling out of MFA to the key operations, phasing out of cash offices and streamlining key regional operations.

Other milestones the firm has achieved as a result of adoption of innovation as a strategic response include installation of automated meter reading gadgets and Jisomee meters to serve the 32% of the population living in the informal settlement. This has increased

revenue collection hence increasing the level of efficiency collection. The company has a fully- fledged Research and Development Department which is allocated sufficient budgetary allocation for R & D.

Customer complaints handling system is through the Maji voice and customers are able to get real time bills by accessing the system. They are also able to make direct payments for their water bills. This has enhanced quality of service by enhancing customer satisfaction. It was also revealed that there are several elaborate Information, Communication Technology (ICT) systems at NCWSC that support business operations. Key among them include Customer Management System, Oracle Financials, Suppliers Procurement Management System (SPMS), Per pay, fleet management system etc. This makes it simple since and complex processes have been automated, tech enabled digital platform have been unveiled.

Majority respondents agreed that the company keeps investing in their employees who are seen as the centre of innovation. Having people with the right talent thinking creatively about products services and processes is the priority of NCWSC. The company realises that without focussing on people, even the most magnificent technology may not succeed.

Customers are integrated in the regulatory framework. There are Water Action Groups (WAGs) that liaise with the regulator to raise customer concerns regarding water issues. In addition, WASREB has developed maji voice; a customer complains handling mechanism, where complains lodged at WSPs can escalate up to the regulator if not satisfactorily handled within certain timelines and parameters. NCWSC has already adopted this system and it is really helping in improving customer confidence and satisfaction as the system has reduced manual operations and reduced Turn Around Time (TAT) which enhances

business operations and enhanced customer satisfaction. According to the latest customer satisfaction survey which was done in 2015; the results showed an overall customer satisfaction level of 75% which is an improvement from the previous 65%.

It was agreed that increased customer awareness and heightened customer expectations due to increased access to information, advanced technological platforms, the new constitutional order and cut throat competition; NCWSC is forced to align its operations to delight their customers. Introduction of customers paying their bills through the comfort of their mobile phones anywhere any time is geared towards achieving customer delight.

NCWSC opted to strategically outsource some of its functions for efficiency and to allow the firm to concentrate on its core activities and work towards its mission and vision. This decision was arrived at after benchmarking on best practices in the water sector as stated by Oliveira and Martin, (2011) who argue that organizational decisions are driven by the efficiency and socio cultural as well as legitimacy concerns. There is need for the firm to develop and implement strategies that will enable the firm to remain competitive and sustainable. With outsourcing; the company can channel its resources and energy towards enhancing the intended output which results into competitive advantage of the firm.

The respondents expounded that Collection Agency services are outsourced services offered to a service provider by a firm specializing in money handling business to collect revenue from the service providers' customers' on their behalf. The services are offered at an agreed fee based on either the amount collected or per transaction handled. The outsourced firm collects and remits the collections into the company's bank at agreed intervals. This to some extent transfers the costs and risks associated with money handling.

It was strongly agreed that this was a strategic decision NCWSC took so that it can be able to adjust to the environment and compete effectively as it concentrates on its core business and mandate.

The respondents highlighted the various services that are outsourced which include revenue collection through the banks as collection centres, Mpesa services for customer payment, debt collection agencies to initiate recovery of monies owned to the company, legal services and security services. The services are offered at an agreed fee based on the either the amount collected or per transaction handled. The outsourced firms who collect revenue for NCWSC remits the collections into the company's bank accounts at agreed intervals.

It was evident from the respondents that successful implementation of outsourcing strategies has resulted into reduced cost reduction and enhanced quality of service which results into profitability. It was also observed that there was improved expertise and streamlined processes which brought about customer confidence and satisfaction.

Some respondents were sceptical that the Company may not continue with this strategy for long since the decision to outsource services highly depends on how well the firm is aligned to its resources and capacity to strategically outsource services from a credible organisation. It was felt that it was becoming increasingly expensive for the company to outsource some services which should be reviewed if the company is to realize any further gains associated with this strategy. The reliance on outsourcing is likely to inhibit the company to sustain long term competitive gains without participating in development activities. Outsourcing may have some impact on the day today management and performance as well as strategic implications. This calls for firms to outsource wisely to

avoid the risks associated with this strategy. Studies have shown that this form of reliance inhibits the firm from sustaining long term gains without participating in development activities regularly.

It was agreed by all the respondents that customer satisfaction is a priority for NCWSC. The respondents agreed that NCWSC has developed a customer service charter that guides the relationship between the customers and NCWSC. They believe that satisfaction is about meeting the expectations contained in the service charter. These levels are derived from the statutory and regulatory requirements agreed upon between the regulators and the company, including the SPA requirements and all the legal provisions and water rights.

This agrees with Schechner (2003) who posits that organizations are developed for a specific objective and goals which are guided by the resources, functions and activities of the organization. The resources consist of the physical, human, financial and information resources. When all these resources are combined, they lead to certain goals in the organization. Organizations are primarily developed to make profit and to ensure customer satisfaction in their provision of products and services by undertaking legally acceptable activities and function.

It was revealed that the Customer Service Charter(CSC) is revised at least after every two years. The CSC has Turn Around Time (TAT) targets of various customer service issues, for instance addressing any water supply fails within 24 hours. It is therefore important to assess to what extent NCWSC has implemented the various CSCs with a view of identifying the items that have had low levels of implementation so as to put in place

measures to enhance for improved overall customer satisfaction. The main indicator for achievement of secondary objective will be improvement in overall customer satisfaction.

The Water Act 2016 mandates WASREB to protect the interests and rights of water consumers as they receive serves from the water service providers. Customers are integrated in the regulatory framework. There are Water Action Groups (WAGs) that liaise with the regulator to raise customer concerns regarding water issues. In addition, WASREB has developed maji voice; a customer complains handling mechanism, where complains lodged at WSPs can escalate up to the regulator if not satisfactorily handled within certain timelines and parameters. NCWSC has already adopted this system and it is really helping in improving customer confidence and satisfaction. There is also fear of NCWSC not being licenced to operate in the event that they do not meet the statutory and regulatory requirements.

It was also revealed that NCWSC conducts internal and external customer satisfaction surveys periodically. While the internal surveys conducted at NCWSC regional levels are regular, the corporate one and external one are irregular in terms of frequency. Key performance indicator for this will be conducting of surveys alternating between internally and externally conducted surveys annually. According to the latest customer satisfaction survey which was conducted in 2015; the survey showed an overall customer satisfaction level of 75% compared to 64% in the year 2014.

The respondents brought out the critical issue of Non- Revenue Water (NRW) and its impact on the performance of NCWSC. It was revealed that Nairobi City is supplied by surface water and the total daily design production capacity is 525,000 cubic meters.

Currently normal daily production is estimated at 556,000 cubic meters with 38% Non-Revenue Water (NRW) which is a big challenge. It was further explained that Non-Revenue Water(NRW) refers to the deficit between the water produced from the source and the amount of water that NCWSC bills the consumers. This is a measure of efficiency of the firm as it offers the commodity produced to the consumers take off points (Impact Report No. 8). Whenever there is high levels of NRW; it is an indication that the water service provider is not able to collect and harness the required revenue which contributes to poor service delivery. The total NRW is a combination of various leakages which are both detected and undetected, commercial losses; illegal water connections, theft, unmetered public use, undetected meter error, unbilled metered use and water which no revenue is collected. This remains a major challenge since the regulator acceptable NRW benchmark is 25%.

Non-Revenue Water is not only confined to NCWSC; it remains a great challenge to most water service providers. This has forced the firm to prioritize and come up with the initiative to address the losses as a key strategic response. As an intervention measure; NCWSC established a fully-fledged NRW department. The department coordinates the planned activities that are geared towards reducing high volume of NRW to minimal standards. A steering committee to enhance capacity for leaks detections, metering efficiencies, metering of all water consumption points within the company, undertaking consumers water consumption survey, instituting programs of sensitizing customers and all staff on the importance of reducing NRW and their respective roles and analyzing customer consumption patterns. It is projected that by the end of financial year 2018/019

the company will have condensed this to 25% leading to revenue gain of USD 18M per year.

4.5. Other strategic responses adopted by NCWSC

This was aimed at establishing whether there are other strategic responses that NCWSC has adopted and whether the respondent thinks there are other possible responses that NCWSC could pursue to remain more competitive. The study revealed that NCWSC has adopted other strategic responses which include quality management system (QMS), partnership and collaboration with various stakeholders and a responsive organizational structure among other responses which are seen as necessary to enable the company operate effectively even in the hostile environment.

The study found that NCWSC adopted QMS as a strategic response. In 2005, NCWSC it adopted and implemented a quality management (QMS) based on the ISO 9001 standard to steer the organization to greater heights in efficiency and effectiveness, with an eventual goal of meeting customer requirements. Between 2005 and 2008, the company embarked on an implementation journey by appointing and ensuring that responsibilities and authorities required for the quality management system implementation were defined and communicated.

A Management Representative (MR) was appointed as required by the international standard to lead a ten-member steering team to drive the implementation process. Required resources were provided by NCWSC top management. The team received appropriate trainings to close all competency gaps needed to conduct and/or ensure the establishment of elements of the quality management system implementation including; gap analysis, documentation, training the rest of NCWSC staff, internal audits and management reviews.

In March 2008 NCWSC was certified by the Kenya Bureau of Standards (KBS) after complying with the requirements to the ISO9001: 2000 International Standard which the company has been retained to date. The company is in the process of adopting the new standard ISO 9001: 2015.

The study found that the adoption of a quality management system is a strategic decision for NCWSC which has enhanced overall performance and provided a sound basis for sustainable development initiatives. Adopting QMS has potential benefits to the organization since it gives the firm the required ability to consistently provide products and services that meet the customer requirements and expectations. It also ensures that the applicable statutory and regulatory requirements are complied with. QMS also enables an organization to facilitate opportunities that enhance customer satisfaction and mitigating against the potential risks and opportunities.

However; it was feared among the respondents that consistently meeting requirements and addressing future needs and expectations poses a challenge for the firm in an increasingly dynamic and complex environment. To achieve this objective, the organization finds it necessary to adopt various forms of improvement in addition to correction and continual improvement, such as breakthrough change, innovation and re-organization which is only possible through adoption of QMS. Since the company became ISO Certified; customers have increased their confidence in their products and services.

Partnership and collaboration is another strategic response that NCWSC has adopted. For NCWSC to survive in this turbulent environment. It was found that NCWSC gets water from other counties which is likely to cause the trans-border conflicts. There are people living around the water sheds and the pipes pass through some regions as they convey water

to reach Nairobi. This inter-dependence cannot be ignored due to the potential conflict it is likely to cause. This has forced NCWSC to collaborate with several other local and international partners in service delivery. They include IWA, WASPA, the World Bank, GIZ, and other financiers, and local communities in the water conservation activities and in service provision. These partnerships span through the water and sewerage service provision continuum, both in the investment and service provision. The partnerships between grassroots consumer groups (water action groups) help realize substantive gains especially in minimizing cases of vandalism of water infrastructure as well as actual theft of the commodity. Partnerships formed with development partners NGOs, local organizations has resulted into high level of investment in water and sanitation infrastructure. Several kilometres of water and sewer reticulation have been constructed and over 200,000 people connected to safe drinking water within their premises.

The study also found that there are critical services provided by vendors and suppliers. These are incorporated into the supplier data base that forms the core of the company's Pre-qualified Suppliers Document. This relationship is a delicate dance between our best interests and the sometimes competing interests of suppliers. NCWSC relies on supplies to supply some crucial supplies like chemicals, pipes, motor vehicles and motor cycles, carrying out of service and repairs.

It was also revealed that NCWSC is partnering and sharing knowledge with other organizations like the Africa Water Association (AfWA), Global Water Operators Partnerships (GWOP); United Nations Environmental Programme (UNEP), UN-Habitat, International Water Association (IWA) and Water Operators Partnership-Africa (WOPs-Africa).The benefit of such partnerships is that the search for knowledge is coordinated

and they initiate, encourage and promote actions of cooperation and exchange in professional training. Partnerships fosters a permanent exchange of information while promoting contacts, exchanges and cordial relationship among professionals of the sector in Africa and globally. Opportunity to participate in congresses, seminars, workshops and technical sessions is created and explored so that NCWSC remains relevant and competitive.

The study also found that NCWSC had to re-structure its workforce during the transition period hence creating a responsive organizational structure as one of its strategic response. A new structure was introduced that saw employees placed in new positions based on competence, qualifications performance needs, required academic and professional skills, work experience and objective needs. To improve performance, the company continued to train its staff locally and internationally, based on training need analysis. Terms and conditions of service were improved to match those in the private sector. A performance management system was introduced with an output-based appraisal assessment which the company conducted on a quarter yearly basis. The company had to source for professional staff from the job market.

4. 6. Discussion of the findings

It was confirmed from the study that NCWSC like any other organization faces both internal and external challenges. The challenges emanate from both the external and internal environment. The challenges that NCWSC faces include; political, social, economic, legal, technological, regulatory and unpredictable weather patterns. Some challenges were cited as historical having been inherited from the defunct City Council of Nairobi commonly referred to as CCN. This confirms the theory developed by Meyer and

Rowan (1977) who argues that organizations are influenced by normative pressure arising from external and internal forces.

Nairobi city water and sewerage Company which operates in an ever changing environment has adopted strategic responses that are perceived as key drivers in dealing with environmental challenges. Through strategic responses, an organization is in a position to enhance its relevance in the environment thus staying on course with its operations as argued by (Mitchell, 2014).

The strategic responses that NCWSC has adopted include; strategic management, innovation, customer satisfaction, outsourcing, reduction of Non -Revenue Water (NRW). Others are adoption and implementation of quality management system (QMS), partnership and collaboration and a responsive organizational structure. This finding are consistent with Pearce and Robinson, (2003) who states that organizations operate in an ever changing environment that guides which strategic direction to take hence the organization needs to adapt and respond comprehensively by use of appropriate strategic response techniques.

The study found that Nairobi City water and Sewerage Company has embraced strategic planning because of its perceived contribution to organizational effectiveness. The company embarked on reshaping its future by developing and pursuing their first Strategic Plan; two, 2007/2008-2009-2010 and three year rolling up strategic plans up to June 2010 and a five-year strategic plan spanning between 2011 and 2014/2015. Review of 2010/2011 to 2014/2015 plan shows that from 2019/2011 to December 2013, this third plan achieved an estimated overall implementation/performance of 74%. This collaborates with Porter, M. (1996) who argues that strategic planning provides an operational framework that

allows the organization to enjoy distinct competitive advantage hence experiencing improved performance.

Customer satisfaction which has been enhanced through improved products and services has contributed to increased revenue collection by willingness of customers to pay for the services offered. Day (2004) states that organizations leverage on customer satisfaction and efficiency of their operations to enhance their performance. NCWSC had to adopt a responsive organizational structure to be able to meet the demands and expectations of various stakeholders. This is supported by Tolbert and Zucker whose study maintains that when coercive pressures are high; organizations adopt quickly to new structures. Increased adoption builds legitimacy in the institutional environment accelerating the rate of adoption of the new structural form.

NCWSC was established as a corporate entity under the 2002 Kenyan Water sector reforms to continue provision of WSS that were hitherto rendered by the then water and sewerage department of CCN. After the implementation of the devolution in March 2013, and in line with the Kenyan constitution, CCN appointed the company as its sole agent to provide water and sewerage services. The company is fully owned by NCC and the Board of Directors (BOD) oversees its operations. The day-to-date management is led by Board of Management (BOM) comprised of the Managing Director and seven functional directors. This re-organization is supported by Oliveira and Martin (2011) who argue institutional theory shapes the organizational structures and functions are in order for the organizations to be sustainable in the environment.

It was revealed from the study that Nairobi City Water and Sewerage Company has adopted innovation as a strategic response to increase technical efficiency as a strategic response.

Since the inception of the Company; the company has undergone a major metamorphosis to be able to meet the customer demands and expectations. This is due to the pressure from the Government and other legislative bodies which has continued to pile pressure on the firm forcing it to progressively adopt the new technological trends to improve on service delivery.

The technological trend that NCWSC has adopted include use of mobile phone by customers to make payments, customer query their bills through the mobile phone, MFA for reading meters, Customer relations management system (CRM), resolving customer complaints through maji voice, increased access to information through the website fleet management system, prepay system for staff payroll management, SPMS for procurement of goods and services, Jisomee meter, creation of a fully-fledged Research and Development (R&D). The envisaged initiative is expected to lead to improved customers' satisfaction as their water supply, meter reading and billing complaints will be addressed promptly.

With innovation; customer satisfaction has been enhanced through unique products and services hence increasing customer base and enhanced customer satisfaction. The customers can be able though the comfort of their house query their bills and make payments to avoid disconnection. The customer satisfaction survey which was done in 2015; the overall satisfaction level is 75% compared to 55% when the water and sanitation services were under water and sewerage department of (WSD) of City Council of Nairobi. This will have a knock on effect on revenue collection thereby improving NCWSC financial position and performance of NCWSC. This is in consistent with Roeller and Waverman (2001) who posits that organizations need to respond effectively and efficiently

to challenges/problems and opportunities as they arise to meet the ever-increasing customer expectation of service delivery.

Muchiri Ombui & Iravo (2017) examined how strategic responses affected performance of oil marketing firms in Kenya. By collection of primary data using questionnaires and analysis using SPSS software, the study established that formation of strategic alliances, strategic differentiation had significant influence on performance. On the other hand, outsourcing and mergers and acquisitions had insignificant effect on performance. It confirms that companies revert to adopting outsourcing strategy in areas that are not core and key to their business operations. This gives the firms the opportunity to concentrate on their core areas which yields increased performance. However; the firm can access and utilize the available qualified professional services that outsourced firms provide.

This is not true with NCWSC since most of the respondents totally agreed that NCWSC has benefitted greatly from outsourcing services. Most respondents agreed that successful implementation of outsourcing strategies has resulted into reduced cost reduction and enhanced quality of service which results into profitability. It was also observed that there was improved expertise and streamlined processes which brought about customer confidence and satisfaction as a result of outsourcing of non- core activities.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations for further research. It brings out the highlights of the key findings of the study on strategic responses adopted by NCWSC and their influence on performance while making necessary conclusions and recommendations for future research.

5.2 Summary

The findings from the study revealed that Nairobi City water and Sewerage company (NCWSC) operates in a very dynamic and complex environment. The company has continued to face increasing pressure from both within-internal and outside-external forces which are seen as challenges. The challenges that NCWSC faces are classified as political, economic, social, technological, environmental and legal challenges. The unpredictable weather patterns and regulatory requirements are also a challenge compounded with the historical background which applied to all other local authorities. NCWSC has had to content with this and many more challenges as it strives to provide the required services and products to acceptable levels.

The study deduced that due to the ever changing environment; NCWSC has been pressured to devise coping strategies to respond and adapt to the environmental changes in order to remain competitive. NCWSC has adopted specific strategic responses that are perceived as key drivers in dealing with environmental challenges while remaining relevant and legitimate as a water service provider. The strategic responses adopted include strategic management, innovation, customer satisfaction, outsourcing and reduction of Non-

Revenue Water (NRW). Other strategic responses that NCWSC has adopted include adoption of quality management system (QMS) as a strategic decision, partnership and collaboration with various stakeholders and a responsive organizational structure. The strategies have been adopted as the best choice in the industry in regard to the prevailing environment.

The study revealed that despite the strategic responses that NCWSC has adopted; the company is not able to implement them effectively due to inadequate allocation of resources and inability to attract investment for expansion of services and efficient maintenance of existing facilities. NCWSC relies on the revenue they collect from the water sales for their operations. Water is a social good and the water sector remains a strategic component in the accomplishment of the aspirations of the national economic development blue print. The Government should look for means and ways of financing some infrastructural projects which are very economical to undertake so that NCWSC can be able to serve the huge population in the city. This will enhance performance of NCWSC while reducing the service gap.

5.3 Conclusion

There are several conclusions that can be drawn from this study in relation to the strategic responses adopted by NCWSC and their influence on performance. The study concluded that Nairobi City Water and Sewerage Company like any other organization faces both internal and external challenges which alter the environment in which it operates. NCWSC has adopted strategic responses that are seen as key drivers in dealing with the challenges. The strategic responses include strategic planning, innovation, customer satisfaction, outsourcing and reduction of Non-Revenue Water (NRW). Other strategic responses that

NCWSC has adopted include adoption of quality management system (QMS) as a strategic decision, partnership and collaboration with various stakeholders and a responsive organizational structure to counter the dynamic environmental challenges.

There is a relationship between strategic responses adopted by NCWSC and the performance and effectiveness. Any strategic decision or intervention before it is implemented should be considered keenly due to the likely influence or impact on the performance. The study concluded that strategic responses have an overall influence on the performance of NCWSC. played a key role in promoting customer satisfaction which again is a critical aspect as far as organizational performance is concerned. Strategies to meet customer demands enhance customer satisfaction and so is organizational performance.

There is an increased population in urban centers that is reported in many developing countries which forces the water utilities to have no choice but to adopt quickly to robust plans and strategic actions that are geared towards improvement of operational efficiency that will bridge and reduce the service demand.

In conclusion; the study agrees with (Pearce and Robinson, 2007) who argues that the survival of the firm depends on the how well it is able to relate and competitively position itself in the dynamic environment. This argument is supported by Jackson and Morgan (1982) who argue that when organizations environment changes, the organization must adjust in order for them to remain competitive and those with the appropriate strategic responses tend to be more successful.

It can therefore be argued that; strategic planning is no longer an option for both private and public business operations, rather, as the public and private organizational environment

has become more uncertain; effective strategic planning has become increasingly important. NCWSC has taken up strategic planning as a key partner in the key process management as it has been proven that application of strategic management plans was overwhelmingly a contributory factor to the improvement of management and operation of the firm.

While planning cannot ensure the future for an institution, it can serve as a guide to future dynamics affecting the world in general, and the water sector, in particular. It can, therefore be argued that, strategic planning is no longer an option for both private and public business operations, rather, as the public and private organizational environment has become more uncertain effective strategic planning has become increasingly important.

With the international global community undertaking to achieve specifically, SDG No 6 which envisages a reduction by half of the populations of the world that lack access to clean water and sanitation by 2030, the actors in the water sector globally must evaluate their operational environment, consider a variety of potential futures, and then define and articulate the strategies to reach their chosen future.

The study concludes that the strategies NCWSC adapted were successful in that there has been improvement of operations, increased customer confidence on the services provided, more motivated workforce. It can, therefore be argued that, adopting effective strategic responses is no longer an option for both private and public business operations, rather, as the public and private organizational environment has become more uncertain, effective strategic responses has become increasingly important.

5.4 Recommendations of the Study

The study recommends that NCWSC should encourage more collaboration/partnership as a priority and a long term strategic response. This is because NCWSC receives water from other counties and the current devolution set up has opened another dimension on jurisdiction of water sources/resources hence creating conflicts that have arisen which require urgent resolution. If the current conflicts continue, it is likely to escalate and affect the operations of NCWSC. There should be an agreed framework to provide effective mechanism of resolving potential conflicts.

The resources that NCWSC generates from the water sales does not allow expansion of services and infrastructure due to the resource constraints. Nairobi city has grown over the years and expanded infrastructure requires colossal amount of money to invest which is beyond the reach of NCWSC. The company can only be able to meet the customer expectations when some capital investment will be injected in the company to expand the network and repair the old dilapidated network. The company will continue to underperform due to this constraint. The study encourages NCWSC to look for development partners to inject in the company some resources so that it works towards achieving the corporate goals.

Some services that are outsourced by NCWSC can be re-evaluated and phased out so that NCWSC can make some savings and plough back to their core business. NCWSC has rented some offices which do not add value to the organization. This should be phased out since the leased space do not have a significant impact on the overall performance and

service delivery. The legal department should be utilized fully instead of relying on legal services from law firms. Cash office should be faced out since our customers can comfortably make their payments direct can to the banks. In essence; outsourcing should be aimed at relieving the firm from the burden of not concentrating on its core activities.

Further studies should be undertaken to incorporate other strategic responses such as resource allocation, leadership, climatic changes/unpredictable weather patterns, regulatory requirements. This will provide a basis for comparison on which strategic response has a greater impact and influence on performance. The conclusion will be drawn based on several variables.

Every organization has its own unique challenges. There is need for scholars to enhance and expand on the understanding of factors that influence organizations on the choices of strategic responses to address institutional performance and competitiveness. With the operating environment becoming more unpredictable; effective strategic responses is no longer an option rather; it should be embraced by organizations for survival.

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APPENDIX I

INTERVIEW GUIDE

I am Florence S. LiambilaWanjala, a post graduate student taking a Masters' Degree in Business Administration of the University of Nairobi Kenya. I am carrying out a study on Strategic Responses and Performance of Nairobi City Water and Sewerage Company Limited. You have been selected as one of the key respondents to make this study a success

1. What are the challenges that NCWSC face in their operations?
2. Based on the above challenges; what strategic responses has NCWSC put in place to remain competitive?
3. In your view; are there any other strategic responses you feel the organization can adopt to remain competitive?
4. To what extent do the strategic responses influence/affect performance of NCWSC?
5. What are the potential benefits that NCWSC has gained as a result of adopting the strategies?
6. What are the main challenges that NCWSC face in the implementation of strategic responses effectively?

THANK YOU FOR YOUR TIME