

**THE CHALLENGES OF IMPLEMENTING STRATEGIC PLANS AT KENYA
DAIRY BOARD**

BY

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DECLARATION

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

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DEDICATION

This research paper is dedicated to my late parents Peter Sesi Kimwatu and Benedicta Wandulu Sesi. Their endurance and sense of survival gave me the courage and will power to continue studying to the highest possible academic level. Above all, I dedicate all to the Almighty God for showering me with his mighty blessings during the entire MBA process.

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ABSTRACT

The strategic management process involves not only strategy formulation but also strategy implementation. The strategies formulated are actualized in the implementation of the strategic plan. Much of the time implementation of strategic plans poses the greatest challenge in strategic management as this, by and large, would determine the actual outcomes and results of the firm's strategic plan. It therefore appears at the end of the strategic planning processes whose other ingredients include idea conception in the mission and vision, tactical plans and operational objectives. Effective implementation of strategic plan does not guarantee results as planned. The strategy itself as well as the implementers and the implementation process can influence the outcome. This study sought to establish the challenges faced by Kenya Dairy Board (KDB) in implementing strategic plans. A case study of KDB was used to achieve the research objective. Both primary and secondary data related to the area of study were used. To gather primary data, the researcher relied on the interview guide administered to the chief executive officer and the managers. Content analysis of the interviewee responses was applied. In conclusion and from the findings therefore policies and procedures, tactical and operational plans, resource allocation, globalization forces and power and politics were seen as the main challenges faced by KDB in implementing 2005 to 2009 strategic plan. Resource allocation was seen as the overriding challenge due to the fact that as an industry regulator in a market economy, it relies on limited grants from the exchequer and it in turn has an unlimited mandate as the industry growth rate was very high. The industry is rural and suburban in nature. It is recommended that a research be carried out on management responses to the challenges noted with a view to establishing whether KDB can generate adequate revenue from operating within its mandate and cease relying 100 % on grants from the exchequer. In addition, KDB and the office of the prime minister that currently reviews the results of the performance contracts should devise a more specific, measurable, and achievable or result oriented and timely (SMART) criteria for evaluating performance on non financial strategic objectives. Breaking objectives by activity, time and staff category when crafting the plan can eliminate uncertainty during evaluation.

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
GDP	Gross Domestic Product
GOK	Government of Kenya
ICDC	Industrial and Commercial Development Corporation
KDB	Kenya Dairy Board
KIE	Kenya Industrial Estates
SMART	Specific, Measurable, Achievable, Result oriented and Timely
UON	University of Nairobi

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The strategic management process involves not only strategy formulation but also strategy implementation. The strategies formulated are actualized in the implementation of the strategic plan. Much of the time implementation of strategic plans poses the greatest challenge in strategic management as this, by and large, would determine the actual outcomes and results of the firm's strategic plan. It therefore appears at the end of the strategic planning processes whose other ingredients include idea conception in the mission and vision, tactical plans and operational objectives (Pearce and Robinson, 1991).

Implementation of strategic plans usually faces a lot of challenges. These challenges include those related to structure, processes and relationships within the organization (Johnson, Scholes and Whittington, 2007). There are many structure types such as functional, divisional and the matrix. Each of these structure types has its own strengths and weaknesses which respond differently to the challenges of control, change, knowledge and globalization. In fact, structure during the strategic planning implementation must be modified to deal with the ever-changing external environment, resistance to change and forces of globalization among others (Burnes, 2004).

A range of different organizational processes in any given firm also pose challenges on strategy implementation. Here, the level and adequacy of both the physical and human resources inputs and outputs play a fundamental role in the strategic plan implementation. Employee relationships are also important challenges in strategic plan implementation. The levels of centralization, devolution, and strategy styles affect strategy implementation in the firm's internal environment. Externally firms strategic alliances and out sourcing, foreign exchange and licensing among others can also hinder strategic planning implementation. An organizational resources, cultural orientation, organizational politics and power, communication and accountability and budgetary allocation are additional issues in strategic planning implementation. Above all,

leadership, capacity and capability is an issue in strategic planning implementation (Thomson and Strickland, 1993). Given the many challenges, implementation of strategy is therefore an area of concern among many firms in Kenya. This is especially the case in state enterprises such as the Kenya Dairy Board. This is because state enterprises which have hitherto operated without performance oriented business culture have now been placed on performance measurement performance contracting whose roadmap is the strategic plan. This change took effect from 2004 following amendment of the state corporations Act.

Previous government plans like the National Development Plan and the current Vision 2030 are not broken into annual/short term plans and composite organizations for ease of comparison with annual budgets of those composite organizations. Such plans may influence the strategy adopted by individual state corporations and their implementation as may be demanded by the parent ministries. Two, other government initiatives like the Poverty Reduction Strategy Paper (September 2001-2004), outlines the priorities and measures necessary for poverty eradication but no measurable criteria to attain set goals are provided. Goals like livestock development, livestock diseases, and poor livestock marketing and poor extension development are general. It is not easy to measure performance. Three, the Economic Recovery Strategy for Wealth and Employment Creation of (2003-2007) identifies key policy measures and programmes that the government is committed to pursuing over the next two years but does neither address overlaps in various strategies nor identify the implementers. Four, Strategies for the Revitalization of Agriculture (2004-2014) and Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 is not linked to the individual state corporation's strategic plan. Consequently it is not possible for the state corporations to establish whether their strategic plans address the key concerns of the various stakeholders.

1.1.1 Challenges of Implementing Strategic Plans

Since independence the government of Kenya has encouraged the co-existence of private and public enterprises to enable it achieve its key objectives as enshrined in the constitution at independence of eradicating poverty, ignorance and disease. Other

objectives for which the state enterprises were established include the expectation that they were to earn a surplus to accomplish other societal goals, produce goods and services deemed necessary for development, engage in projects which require large capital outlay, are necessary for development but are unattractive to the private sector and to provide direction, regulation and support to the commercial enterprises and act as a consumers watchdog. Karanja (2004) emphasizes that whereas the private enterprise has entrepreneurial roots, public corporations are created by some higher controlling authority with multiple and competing interests. Further, once created the purpose and objectives of the state enterprise is still defined by that higher controlling authority who also provide the operating resources on which it depends. Karanja indicates that it is not entirely possible to set the mission and goals of the state enterprises as in the private sector as they are not all-encompassing as in increased profits, market share and/or sales. Rider (1987); Karanja (2004) add that decision making in the public sector is a political process. For a simple operational decision to be reached, many organizations and authorities will need to be consulted. This makes attainment of simple objectives a time consuming and tedious process not worthy devoting some level of resources.

Challenges of strategy implementation abound due to the fact that managing the implementation and execution process is an operations oriented activity which aims at making things happens to support core business activities in a strategy supportive manner. It is easily the most demanding and time consuming part of the strategy management process. The process of converting strategic plans into actions and results tests a manager's ability to direct organizational change, motivate people, build and strengthen company competencies and competitive capabilities. It also tests the ability to create and nurture a strategy supportive work climate in executing the strategy proficiently together with initiatives, which are launched and managed from many organizational fronts. As a result of all these initiatives, many institutional and operational challenges are bound to be faced by any organization whether in commercial or public sector (Thompson Strickland and Gamble, 2008).

Burns (2004) points out those organizations today operate in an era of discontinuity. The magnitude, speed, unpredictability and impact of change is greater than ever before. Protected industries have become liberalized while public protected monopolies have been opened up to intense competition. Change has become pervasive and persistent. The challenges of managing persistent change are enormous. Consequently managers have to constantly address problems posed by globalization forces and other unpredictable changes arising from both the internal and external environment.

Successful implementation of a particular strategy does not always guarantee profitable results or expected results. Implementation of a particular strategy one period may affect and or create strategic misfits for future strategies. For example implementation of a certain marketing programme may imply that in future, the organization structure may need to be changed to cope with the new strategy. This is especially so when contemporary challenges such as internationalization, e-commerce, changing purposes and knowledge or learning are not addressed. Lastly, although organizations may continuously go through long periods of continuity during which established strategy remains unchanged or changes incrementally, they may fail to address the issue of strategic drift whereby strategies progressively fail to address the strategic position of the organization and performance deteriorates (Johnson et al. 2006).

Although the government relies on state corporations as part of the machinery aimed at achieving its overall strategy of service delivery to its citizens as enshrined in the constitution, the government of Kenya circular (No.2/2003) from office of the Vice President and National Reconstruction pronounced that public corporations have to transform and turn profitable. Those considered strategic will be retained while those that continue to be a burden to the exchequer will either be privatized or disposed. This is an indicator that state corporations have been facing serious challenges in strategy implementation for the achievement of objectives (Karanja, 2004).

1.1.2 Kenya Dairy Board

KDB is a state corporation established by an Act of parliament. The Dairy Industry Act Cap 336 of the laws of Kenya, 1958. This was in response to the increase in the number of the players especially the small holders who contributed 80% of milk production and hence the mandate. A state corporation is a public enterprise in which the government owns and controls over 50 percent of the shareholding. The board is mandated to develop, promote and regulate the industry. To achieve its mandate, the board collaborates with other institutions so as to make regulations governing appropriate quality standards for milk and dairy products. They also undertake and coordinate research, extension and training related to the industry. Further the board advises the government on aspects of policy and possible legislation.

The law on privatization in 1992 saw the liberalization of the dairy industry. Liberalization was well received by the private sector especially in milk processing and further enhanced the quality and range of dairy products in the market. According to the economic survey of 2006 and KDB website: <http://www.kdb.co.ke>, Kenya has an annual milk production of approximately 3.8 billion litres. The same report indicated that whole milk and cream stood at 2.26 billion litres, butter and ghee at 1.549 million tonnes while cheese was at 243 million tonnes. This contributed Shs 2,247 million or 34.6 percent of the agricultural sector to gross domestic product GDP. Complex technologies and equipment are utilized in processing milk and milk products. The dairy industry is almost self sufficient in production of dairy products for local consumption at 99% import dependency scale as at 2006. The industry under the control of KDB now spans various sectors like the agricultural sector, the livestock sector as well as commercial and industrial processing. It has registered 52 processors. It also regulates small and micro enterprises involved in milk marketing, providing nutrition and livelihoods to a significant segment of the Kenyan population. It comprises of 58 mini-diaries, 72 cottage industries, 1,107 milk bars, 16 cooling plants and 787 producers. However, just like any other parastatal, KDB is bound to face challenges in the implementation of its strategic plans.

The first strategic plan for KDB was prepared for the period 2005 to 2009. This implies that from inception in 1958 to 2004 KDB operated without a formal strategic plan. According to the second and current strategic plan for the period 2009 to 2012 some challenges and lessons learnt were noted during the implementation of the 2005 to 2009 strategic plan. The noted challenges included those emanating from the political legal environment or a legislation gap noted when the need arose to expand the industry to include milk products from camel and goats which were not previously covered by KDB. The same legislation gap was also noted in trying to adopt same quality standards for the East African Common Market. Due to fixed resources from the exchequer, KDB did not develop per the strategic objectives. Failure to partner with and collaborate with all stakeholders was also a challenge in attaining the strategic goals. Budget allocations did not take into account all strategic activities necessary to achieve the strategic objectives. Progress monitoring and evaluation were not incorporated in the strategic plan and hence attainment of set goals was elusive.

1.2 Statement of the Problem

KDB has to develop, regulate and promote the dairy industry in a liberalized world under the prevailing economic conditions. On the one hand KDB is expected to implement its strategic plans and cope with the market demands of the industry. On the other hand, KDB is owned by the government through the ministry of livestock development which directs its operations.

Implementation of strategic plans which involve translating the strategic plans into actions is often said to be the most challenging aspect of the strategic management process. Effective implementation of strategic plan does not guarantee results as planned. The strategy itself as well as the implementers and the implementation process can influence the outcome.

A lot has been written on strategic planning in Kenya and strategic management in general (for example Awino, 2001; Aosa, 1992; Ochanda, 2005; Karanja, 2004; Boore, 2005; Karuri, 2006). However, out of this list only (Awino, 2001; Karuri, 2006 and

Ochanda, 2005) looked at the challenges of strategy implementation. Boore (2005) looked at factors affecting implementation of government strategies in the agricultural sector in Meru Central District. He recommended that the study be replicated in other government ministries, sectors and institutions. Awino (2001) looked at strategy implementation in State Corporation, the Higher Education Loans Board which is commercial and education oriented. Ochanda (2005) studied the challenges of strategy implementation at Kenya Industrial Estates (KIE). He recommended that the study be replicated on other state enterprises and an in-depth study be carried out on each challenge.

Karanja (2004) carried out a survey on strategic planning and performance of public corporations in Kenya and established that strategic planning was being effectively carried out by state corporations in Kenya. She however, noted that only 24 respondents out of 50 responded to the study. Due to the poor response and performance indicators of her study, she recommended that further study be carried out in the areas of strategy implementation and performance in state corporations in Kenya. Karuri (2006) carried out a research on the challenges of strategy implementation in Development Financial Institutions: A case study of Industrial and Commercial Development Corporation (ICDC). Her findings were that, organization structure was not matched to staff responsibilities. Further, not all staff was aware of their responsibilities and not all staff were aware of their responsibilities towards achievement of strategic plans. She therefore recommended that further research be carried out in the area of challenges in implementing strategic plans in other public enterprises. From the findings of above researchers and recommendations for further research, there is a gap in knowledge in that the challenges faced in implementing strategic plans by one sector or organization are different from those faced by other sectors and organizations. The challenges noted from previous studies as detailed above may not be applicable to KDB and the dairy industry. Burnes (2004); Buzzell (1987) argue that the unspoken hypothesis behind sectoral application of strategic planning and related challenges in organizations is that every sector like every industry has unique elements and hence the need for the study.

1.3 Objectives of the Study

The study sought to establish the challenges faced by KDB in implementing strategic plans.

1.4 Importance of the Study

The study findings will be useful to the government and the stakeholders of KDB and the entire dairy industry in sensitizing them of the challenges facing KDB in the implementation of their strategic plans. In addition the report will be used by academicians when carrying out research in related fields of study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the work that has been done by other researchers in the field of strategic planning. The specific areas covered in this chapter are the concept of strategy, strategic planning process, strategy implementation process and the challenges of implementing strategic plans. These have been identified as structure, leadership, culture, reward and incentives, policies and procedures, tactical and operational plans, resources, management and employee involvement, budgetary allocation, communication of responsibilities and accountability, globalization forces, power and politics and implementation control.

2.2 The Concept of Strategy

Burnes (2004) views the type of strategy adopted by an organization as a choice by management. The adoption of that choice is constrained or faces challenges of organizational, environmental, sectoral and national factors and so are the results that flow from it. The concept of strategy has been discussed by several scholars. Strategy is the direction and scope of an organization over the long-term to achieve advantage in a changing environment by adequately configuring resources around competencies in order to satisfy stakeholder expectations (Johnson et al. 2006). Thompson et al (2007) argue that strategy is the game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. Strategy is also considered to be a ploy, a plan, a pattern, a position and a perspective (Mintzberg, Quinn and Ghoshal 1999). As a plan, a strategy establishes a specific cause of action. As a pattern strategy display a consistent stream of actions whether anticipated or not. When viewed as a ploy, it is a specific manoeuver which is intended to outwit the opponent or competitor, as a position it is viewed as an attempt to fit the organization in the environment. The organization is seen in the ultimate market leadership position after attainment of the strategy. Finally as a perspective it looks at

strategy as a means to an end and not an end in itself. It looks at strategy as giving the general direction to its vision and mission in a changing environment.

Communication at all levels is the backbone to strategy implementation and its demise or improper application may result in failure to attain organizational goals. Strategy takes place at three levels namely, corporate, strategic business unit and functional level. Strategy at the corporate level is concerned with the overall purpose of the organization including the mission and vision and how value will be added to the organization as a whole by the various business units. At the business level, strategy is about how to compete successfully in particular markets. A strategic business unit is a part of the organization for which there is distinct external market for goods or services that is different from other units in the same organization (Johnson et al. 2006). An organization's strategy outlines how it will run its business and conduct its operations. It is about how management intends to grow the business, how it will yield a loyal clientele and out compete its rivals if it is not a monopoly (Thompson et al. 2007).

2.3 The Strategic Planning Process

Strategic planning is a systematic process through which an organization agrees to build commitment among stakeholders to realize priorities which are essential for attaining its vision and mission while at the same time responding to the operating environment (Thompson et al. 2007).

In Kenya formal strategic planning was practiced from the 1960's. Foreign firms were more involved than indigenous firms which include the state enterprises. Professional companies or large organizations were more involved in strategic planning than family business firms (Aosa, 1992). From 2004, however, strategic planning process has been embraced in earnest among state enterprises as a requirement for accountability through performance contracts. According to Pearce and Robinson, (1991) strategic planning started in the 1970's and it is also called strategic management. It involves the whole process encompassing the range of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms objectives.

It involves the following nine steps: one, formulating the company's mission including broad statement of its purpose, philosophy and goals. Two, develop a firm's profile that reflects the internal conditions and capabilities. Three, assess the external environment including both competitive and contextual factors. Four, analyze the organizations options by matching its resources with the external environment. Five, identify the most desirable options. Six is to select a set of long term objectives and grand strategies that will achieve the most desirable options. Seven, develop annual and short term objectives and grand strategies. Eight, implement the strategic choices by means of budgeted resource allocation in which the matching of task, people, structures, technologies and reward system is emphasized. Lastly, evaluate the success of the strategic process as an input for further decision making. See Appendix I for a pictorial view of these steps.

2.4 Strategy Implementation Process

It is not enough to craft a good strategy. A sound strategy has to be implemented through translating plans into action. Thompson et al. (2007) argue that prescribing new policies and operating procedures act to facilitate strategy execution in three ways: one by instituting new policies and procedures to provide top-down guidance regarding how certain things now need to be done. Two, policies and procedures help to enforce needed consistency on how in particular strategy- critical activities are performed in geographically scattered operating units and lastly, well developed policies and procedures promote the creation of a work climate that facilitates good strategy execution. Managerial efforts to identify and adopt best practices are a powerful tool for promoting operating excellence and better strategy execution.

Once the policies, procedures are crafted and managerial effort provided, the organization will require state-of-the-art support systems that will form the basis for competitive advantage if they give firm capabilities which are not easily matched by the competitors. Support systems will further include information systems, performance tracking and controls in five broad areas of customer data, operations data, employee data, supplier, partner, collaborative ally data and financial performance data. A properly designed

reward system will align the well being of organization members with their contributions to strategy execution and the achievement of organizational goals (Thompson et al. 2007).

Mintzberg et al. (1999) indicate that strategy implementation is composed of a series of activities which are primarily administrative. If purpose is determined then the resources of an organization can be mobilized to accomplish it. An organizational structure appropriate for the efficient performance of the required task must be made effective by information systems and relationships permitting coordination of sub-divided activities. Performance measurement compensation and management development are enmeshed in a system of incentives and control must be directed towards the desired new behaviour of the organization. Strategy formulation and implementation are interdependent to the extent that it can be said that structure follows strategy and vice versa.

2.5 The Challenges of Implementing Strategic Plans

Challenges to strategy implementation are the hindrances which fundamentally limit the ability of the organization to achieve its objectives within the specified time limit, standards and amounts as stated in the vision, mission and annual plans. Many authors view the challenges differently. For purposes of this research they have been organized into institutional challenges which comprise structure, leadership, culture, reward and motivation and policies and procedures.

Operational challenges in turn comprise tactical and operational plans, resource allocation, communication of responsibility and accountability, management and employee involvement, annual objectives and budgetary allocation. Other forms of challenges stemming from the external environment are those posed by globalization trends and plans of other government agencies. It should be appreciated that the challenges that face a single organization in trying to implement her strategic plans are many and perverse. This research will therefore not provide an exhaustive list of such challenges. It will however discuss those that are fundamental and frequently encountered in strategy implementation.

2.5.1 Structure

Pearce and Robinson (1991) argue that matching the structure to strategy is a fundamental task of the organizations strategists. Five structures have so far been identified for adoption as appropriate. These are functional, geographic, divisional strategic business units and matrix. Further, from the studies of Alfred Chandler and others they have concluded that a single product firm or single dominant business firm should employ a functional structure. A firm in several businesses that are somehow related should employ a multi-divisional structure. A firm in several unrelated lines of business should be organized into strategic business units. Early achievement of a strategy-structure fit can be a source of competitive advantage. Many chief executive officers (CEO) do not seem to have the capability of determining the point at which this fit is achieved especially in state corporations where appointment may not have been competitive and hence the strategic challenge.

2.5.2 Leadership

Management and staff form the thread that links the various stages of the strategic process. Leadership, though a seemingly vague and esoteric concept is an essential element of effective strategy implementation. The role of the CEO and key functional managers is fundamental. He is a catalyst and his role is both symbolic and substantive. It can influence the success or failure of the strategy (Pearce and Robinson, 1991).

Leadership is a quality of the behaviour of individuals whereby they guide people or their activities in organized effort. Leadership, regardless of the style used falls in four broad areas of determination of objectives, the manipulation of means, the control of the instrumentality of action and the stimulation of coordinated action (McCarthy, Minichiello and Curran, 1996). The leadership challenge is in choosing the style that will drive the strategic process.

2.5.3 Culture

Organizational culture is the set of important assumptions shared together. It provides meaning, identity, direction and guides action. Culture is also shaped by shared beliefs and values. A firm's culture derives from the business environment in general and the industry in particular. Founders, leaders and employees bring a pattern of assumptions with them when they join the firm. Lastly, shared assumptions are moulded by the actual experiences encountered in solving basic problems of the firm (Pearce and Robbison, 1991). Once culture has taken root in an organization, it is usually difficult to unfreeze (Boore, 2005).

Most employees in an organization have a high emotional stake in the current culture and are likely to suffer considerable uncertainty, anxiety and pain in the process of change (Brown, 1995). Consequently an attempt to change organizational culture is met with considerable resistance to change and hence a challenge to strategy implementation. In addition culture as a whole cannot be manipulated or turned off when the need arises. While some organizations are in a position to intentionally influence it than others more often than not it cannot be created, discovered or destroyed by whims of management (Meek, 1988). It is worthy adding here that culture is a way of disciplining emotion and a method of guiding the way people are expected to feel. Managers engaging in culture moulding are indeed in a dangerous game given that culture provides the roots of human morality, social identity and existence security. It can lead to employee revolt and consequently closure of business and hence a great challenge.

2.5.4 Reward and Incentives

A firm's reward system should align the actions and objectives of the individuals and units with the objectives and needs of the firm's strategy. Failure to align these two would result in discontent as would be reflected in the firm's employee turnover and levels of performance (Thompson et al. 1998).

In many organizations, the day to day tasks of many employees are not seen as strategic. The challenge here for the manager would then be on how to develop people's awareness on how what they do contributes to the strategic goals. If staff can see how their work contributes to the bigger strategic picture, they can be motivated to contribute positively to achieve organizational goals (Johnson et al. 2006).

2.5.5 Policies and Procedures

In strategy execution one way of adopting changes is by instituting a select set of new policies and procedures in order to steer the actions of company personnel in a direction towards achieving operating excellence. It is however normal for resistance to develop and for people to exhibit some stress and anxiety about how changes affect them.

The managerial challenge in strategy execution is to come up with a new set of policies and procedures to guide and channel individual and group efforts in executing the new strategy. Policies are therefore a useful way of counteracting resistance to change. Changing policies and procedures involve adopting best practices in the industry. For a practice to be described as best at least one company must have proved that it works well. Business reengineering processes, six sigma quality programs and total quality management program tools can be employed to come up with policies and procedures that promote excellence. The challenge in changing policies and procedures is for the management to build a total quality culture which is genuinely committed to achieving performance outcomes. While it is relatively easy to receive and adopt the same tools for achieving operational excellence. It is much more difficulty and time consuming to instill a deeply ingrained culture of operating excellence that religiously employ lasting commitment to operation excellence throughout the organization (Thompson et al. 2008).

The strategic significance of policies can vary. In one extreme, policies which are really work rules may not be linked to other functional areas and or implementation of the strategy. The challenge here then is to devise policies and procedures that are fully linked and integrated functionally and to the strategic process (Pearce and Robison, 1997), whether policies are internally generated or externally dictated as some labour laws on equal employment for all would be dictated by governments. the key issue is for them to support strategy implementation.

2.5.6 Tactical and Operational Plans

Many organizations set unrealistic objectives for growth, profit and market share, while in others there is the issue of clarification and often disagreement between corporate headquarters and divisions or holding companies and their subsidiaries (Steiner, 1979)

Most managers in an organization are not directly involved in the development of the strategic plan. Reid (1990); Ochanda (2005). Many organizations select a team headed by a consultant to prepare the strategic plan leading to a situation where the managers will be interpreting the intentions of the strategy which is a challenge to implementation.

Operational planning is based on future forecasts for the out put of the system. However, even with the best possible forecasting and the most finely tuned operating systems, demand cannot always be met with the existing system capacity in a given time period (Stoner and Colleagues, 1996; Ochanda, 2005).

2.5.7 Resources

This involves the process of building an organization with the competencies, capabilities and resource strength to execute strategy successfully. From the foregoing, when strategies fail it is often because of poor execution. “Things that were supposed to be done slipped through the cracks” (Thompson et al. 2007).

Tangible resources are the physical assets of an organization such as plant, labour and finance while intangible resources are non physical assets such as information, reputation and knowledge. Many organizations operate with resource levels far below the threshold level which is disastrous for any success of the strategy. (Johnson et al, 2006).

2.5.8 Management and Employee Involvement

Efficient strategy execution demands that staff be empowered so that authority for delivering great service or improving products is in the hands of the doers rather than the overseers. Improving quality has to be seen as everyone’s job. Thompson et al (2008) often the job of strategy crafting is seen as being that of the directors and the CEO, while that of execution as being that of the functional managers and their support staff. However, Burnes (2004) argues that organizations are complete social systems with both formal and informal social structures and are not mechanical contrivances. Therefore they cannot effectively be controlled by close supervision, rigid rules and purely economic incentives. Further human beings have emotional as well as economic needs. Organizations and job structures need to be designed in such a way as to enable workers to meet both their material and non-material needs. Only in this way will workers perform efficiently and effectively in the best interest of the organization. Thompson and Strickland (1989) recognize there is the need to match the characteristics of top managers with the nature of business. This is because different businesses demand different behaviors.

Thomson et al. (2008) support the aspect of employee empowerment in task execution. They point out that managers should not have to devote big chunks of their time to making sure that the decision and behavior of empowered employees stay between the “white lines” or as per the rules and procedures of the organization. While use of real time monitoring of daily performance is a tool at the manager’s disposal, peer-based control teams is another form of controlling performance which is less tasking for the managers. Schein (1988) points out that every employment contract has a psychological notion on the unwritten set of expectations operating at all times between the employee and the organization. Each employee has expectations about such things as salary, pay rate, working hours, benefits and privileges which may not even be written. Some of the strongest feelings leading to labour unrest have to do with violations of this psychological contract. Even though public negotiations are often over the more explicit issues of pay, working hours, job security and so on. Consequently employee involvement remains a challenge to strategy implementation due to the possibility of not fulfilling some of the psychological contracts.

2.5.9 Budgetary Allocation

The concept of strategic fit and optimal utilization of resources dictate that budgetary allocations be made proportionately to the expected returns (Thomson et al. 2008) indicate that diversifying into related businesses where competitively valuable strategic fit benefits to perform better finally as part of the same company than they would have performed as independent enterprises, thus providing a clear avenue for boosting share holder value. The greatest strategic challenge in budgetary allocations is that in organizations which are not for profit, budgetary allocations are made to benefit the management of the organization and not the key stakeholders hence business failure.

Another challenge in the implementation of strategic plan through budgets is that there is always competition for capacity between strategic tasks and operating ones, which in most cases is resolved in favour of the later. In many organizations, the strategic budget is not separated from the operating budget (Ansoff, 1990).

2.5.10 Communication of Responsibilities and Accountability

Muthuiya (2004) argues that communication in most organizations is largely in written form and is usually top-down. Communication should be two way so that it can provide information to improve understanding of responsibilities and also motivate staff. It should not be a one off event announcing the launch of the strategy. It should be an ongoing activity through out the implementation process. Grounding it in the monitoring and evaluation process after each implementation stage would be ideal.

Organizations must also not loose sight of the many stakeholders and their needs. Traditionally organizations focused on their shareholders as the key stakeholders at the expense of others like customers and suppliers. Organizations should not violate any of the group's sense of fairness as they may paralyze business operations. The job of pleasing all the stakeholders remains the strategy implementation challenge (Johnson et al. 2006).

2.5.11 Globalization Forces

The activities and policies of governments have tended to drive the globalization process. Political changes mean that almost all trading nations function with market based economy. Global forces affect the quality of products in form of exports and imports as dictated by related prices. This in turn affects consumer demand as customers will want to buy the best quality at least cost.

Globalization, which is the creation of a unified world market place, poses the greatest challenge to managers today. With a world of dwindling natural resource and increasing pollution, how then does one manage a more diverse workforce when business leaders are considered less trustworthy in an ethical way? (Burnes,2004). It is worthy noting that globalization forces increase the pervasiveness of change to the extent of causing confusion as to the order and urgency in which strategic activities should be implemented.

2.5.12 Power and Politics

Power should be distinguished from authority where the later is the right to act or command others to act in attainment of the organizational goals and the former is an individual's capacity to influence decisions. Robins (1987) implies that, power in an organization stems from control over information, formal authority to act and control over resources. Politics is the excise of power to influence policies, rules, goals and other decisions in order to favour them. Thompkins (1990) argues that political manoeuvring in organizations is done due to failure by senior managers to set and implement coherent and consistent goals in the first place. This results in uncertainties which in turn lead to conflict between groups and individuals. Top management is therefore left with inadequate guidance to run the firms operations. This will force them to make decisions which will perpetuate their own safety and security. It is then the beginning of illegitimate discipline and political power which eventually strangle the organization hence a challenge to strategy implementation.

2.5.13 Implementation Control

Control procedures are designed by management to monitor the progress and other developments in the strategy implementation process. It usually uses historical data to measure performance. It is a challenge to strategy implementation because they rest on past performance, control action, are geared towards history rather than the future and hence management by control inhibits aggressive forward looking exploitation of future opportunities (Ansoff, 1965; Burnes, 2004).

As the organization implements its strategy, a firm needs to tack the results and monitor new developments. While some environments evolve slowly in a predictable way, others change rapidly in major and unpredictable ways. Despite all this the only certain thing is that the market place will need to revise its implementation programs, strategy and or even objectives.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

A case study of KDB was used to achieve the research objectives. This research design is best suited in identifying the various challenges being faced by KDB in implementing strategic plans. In addition the research design did enable the researcher to collect in depth data on the population being studied and to be more focused and hence give recommendations that are relevant to the study (Mulema 2004).

3.2 Data Collection Method

Both primary and secondary data related to the area of study were used. Secondary data was sourced from publications such as KDB strategic plan, periodicals, board papers and steering committee reports made during planning, implementation and evaluation of strategic plans, KDB website and KDB brochures. To gather primary data, the researcher relied on the interview guide comprising of 4 sections. Section A sought general information of the respondent or demographics; section B captured data on strategic planning, section C on strategy implementation process and lastly section D detailed the various challenges that the researcher felt were relevant to KDB. The chief executive officer and the managers or their deputies in their absence from all the functional areas of finance, human resources, operations, marketing and research and development were interviewed.

3.3 Data Analysis

The researcher carried out content analysis of the interviewee responses. As suggested by (Yin, 1994) the deductive method was used. The researcher evaluated the responses to the interview guide and sought to establish whether the challenges noted in the literature review as experienced in other organizations and reported by various writers, were also experienced in KDB in similar magnitude. The researcher used open ended questions which did not limit the respondents as to the type and extent of answers provided. Figures and tables were used in summarizing, organizing and in creating a visual impression of the results of the analysis.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

The research objective was to establish the challenges that were faced by KDB while implementing the strategic plans for 2005 to 2009 and to some extent that of 2009 - 2012 which is currently running. The method of data collection was personal interview through the use of interview guides which were given to the respondents in advance to collect the relevant facts. Secondary data was also used to confirm facts where respondents gave conflicting views.

According to the strategic plan for 2005 to 2009, the strategic objectives for KDB were strengthening of Information and Communication Technology, promotion of Kenyan dairy products, improving quality standards of Kenyan dairy products, strengthening partnerships with stakeholders, advising and facilitating stakeholders, strengthening KDB capacity and strengthening of KDB financial base. This chapter presents the analysis and findings of the study. The view presented is a convergence of the opinions of the respondents who are knowledgeable people with over 5 years work experience with KDB at a senior level. The findings have been summarized in similar manner to the interview guide.

4.1 The Strategic Planning Process

The study established that the management of KDB is proactive in their management style. They embraced strategic planning when the idea was introduced in government in 2004 through the State Corporations Act. The first formal or written strategic plan in KDB was prepared for the period 2005-2009. It incorporates a vision, mission and core values of the organization and operates along side a well crafted service charter. This view was confirmed by all the respondents as per table 1 below. The view is also collaborated by (Karanja, 2004) who found out that strategic planning was being carried out effectively in state corporations in Kenya.

Table 1: Strategic Planning Process

Criteria	Whether present or not	Frequency	Percentage
Was a strategic plan prepared?	YES	5	100
Nature of the strategic plan			
Formal	YES	5	100
Informal	No	0	0
Does plan incorporate Performance targets?	Yes	5	100
Was as the strategic plan reviewed and evaluated?	Yes	5	100
Do management and staff have knowledge of the contents of the strategic plan?	Yes	5	100

4.2 Strategy implementation

The researcher sought to establish whether the strategic plans were successfully implemented. According to Table 2 below, all the respondents replied to the affirmative on issues of strategy implementation.

Table 2: Strategy Implementation

Criteria	Result	Frequency	Percentage
Implementation	Yes	5	100
Control and evaluation	Yes	5	100
Were indicators of success outlined	Yes	5	100
Did strategic changes take Place during implantation?	yes	5	100

4.3 Challenges of Strategy Implementation

The study was designed to establish whether various challenges as experienced by other organizations as outlined in the literature review posed a challenge to strategy implementation in KDB. Based on convergence of opinions of the respondents the following were the results:

Table 3: challenges of implementing strategic plans

Challenge	Whether a problem or Not	Frequency	Percentage
Structure	No	4	80
Leadership	No	4	80
Culture	No	4	80
Reward and Motivation	No	3	60
Policies and procedures	Yes	4	80
Tactical and operational Plans	Yes	4	80
Resource allocation	Yes	5	100
Management and employee involvement	No	4	80
Budgetary allocation	No	4	80
Communication of responsibility and accountability	No	4	80
Globalization forces	yes	4	80
Power and politics	yes	4	80
Other challenges	None	4	80

From Table 3 above, policies and procedures, tactical and operational plans, resource allocation, globalization forces and power and politics were identified as having posed a challenge to the implementation of the 2005-2009 and 2009-2012 strategic plans. The respondents indicated that implementation of the 2009-2012 had run for only 3 Months from July 2009 and hence impact of challenges if any may not have been significant except as indicated later in the report. Under other challenges, 80 percent of the respondents did not indicate any challenges despite industry specific challenges having been listed in the strategic plan for 2009- 2012 as lessons learned from the implementation of 2005-to 2009 strategic plan. These challenges which are industry specific include political instability of a country as witnessed by in 2007/2008 after the post election violence witnessed in the country. Majority of the milk processors and key stake holders are rural based hence the impact in this industry. In addition, the literacy

level of the smallholder farmers who form the bulk of the industry is very low resulting to low literacy level in milk handling. This in turn therefore impacts on the quality of dairy products which are lower than those in the global market. In addition the rural spread of the industry also impacts corporate governance and ethics of the institutions which have come under strict scrutiny and criticism of the public and government. In addition the drought experienced in the country between April and October 2009, though an act of nature, impacted negatively on the quality and quantity of milk products, which in turn reduced revenues earned by KDB from farmers and milk processors. Lastly dissemination of information to the rural based sector to alter the status quo is a big challenge and very expensive.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMENDATIONS

The study objective was to establish the challenges that were faced by KDB in implementing the strategic plan for 2005-2009 and to some extent the current one for 2009 -2012. Other subsidiary objectives were to find out whether strategic plans are prepared and implemented. This chapter sets out a summary of key findings, discussions and conclusions drawn from the study as set out in the previous chapter.

5.1 Summary and Discussions

KDB is a state corporation under the State Corporations Act. Compliance with the Act ensures compliance with the provisions of performance contracting guidelines and procedures which were introduced as amendments in 2004. Further, performance contracts are derived from the strategic plan. The government has, over the last five years put in place a reporting, monitoring and evaluation framework to ensure total compliance with legislation. Once the strategic plan is crafted a copy is sent to the Ministry of planning to ensure compliance with other government plans such as Vision 2030. On a quarterly basis, Performance reports are sent to Inspector of State Corporations who monitor Performance. Three months after the end of each accounting period each state corporation sends a performance contract evaluation report to the office of the Prime Minister, which forms the basis of a formal performance appraisal of the state corporation's performance.

From the foregoing, the study established that KDB, prepared formal strategic plans characterized by mission, vision and core values. They also have a service charter for ease of implementation of the plan and communication with the key stakeholders who are the farmers and milk processors. The plans are constantly reviewed by the management for relevance.

On implementation, KDB launched the first five year plan for 2005-2009 in 2004 and commenced implementation immediately. Implementation is monitored and evaluated regularly and monitored annually. KDB successfully implemented the strategic plan for 2005 - 2009 and in the process they faced some challenges. Majority of the challenges originated from turbulent macro environment in which the industry operates.

5.2 Conclusions

In conclusion and from the findings therefore policies and procedures, tactical and operational plans, resource allocation, globalization forces and power and politics were seen as the main challenges faced by KDB in implementing 2005 to 2009 strategic plan. Resource allocation was seen as the overriding challenge due to the fact that as an industry regulator in a market economy, it relies on limited grant from the exchequer and it in turn has an unlimited mandate as the industry growth rate was very high. The industry is rural and suburban in nature. This has in turn impacted on the quality of milk products in the country which is very low compared to those in the global liberalized market.

5.3 Limitations of the study

The timing of the study coincided with the annual evaluation of performance contracts and other engagements of the key staff outside of Nairobi where the head office of KDB is domiciled. As a result therefore, the researcher could not discuss the responses to the interview guide in as much detail as she would have desired.

5.4 Area for further research

Financial resources have been identified as the key challenge to the implementation of strategic plans by most state corporations and KDB in particular. It is recommended that a research be carried out on management responses to the challenges noted with a view to establishing whether KDB can generate revenue from licenses, levies and other charges in its mandate and cease relying heavily on grants from the exchequer.

5.5 Implication on Policy and Practice

The findings of the study indicate that the objectives of the strategic plan are communicated to the key stakeholders at all stages of planning, implementation, monitoring and evaluation through stakeholders' workshops. However, there is need to sensitize all employees on activities and their individual objectives in order to achieve their portion of the strategic plan goals. The researcher therefore recommends that all staff sign performance contracts on a cascading manner at all levels through out the organization between each staff and the immediate supervisors. Such a practice will motivate the staff to work aggressively towards attainment of the set goals and also protect the staff against unfair victimization on non objective criteria.

Current practice on monitoring and evaluation ties achievement of the strategic objectives to the annual approved budget of each state corporation. The budgets are expressed in monetary terms. However, strategic objectives are much broader than the budget figures, which leaves the outcome of the review process at the mercy of the reviewer and unorthodox practices between the reviewer and the reviewed may arise. It is therefore recommended that KDB and the office of the prime minister that currently reviews the results of the performance contracts devise a more specific, measurable, and achievable or result oriented and timely (SMART) criteria for evaluating performance on non financial strategic objectives. Breaking objectives by activity, time and staff category when crafting the plan can eliminate uncertainty during evaluation. It can also eliminate inaccurate reporting of results at the evaluation stage. Ultimately if KDB and all other state corporations incrementally and genuinely attain their set objectives, the economy will grow and community at large will develop.

KDB could also explore ways and means of generating more resources from operating activities .Additional resources so generated may then be deployed in attaining strategic objectives. Available resources could also be split between operations and strategic activities for ease of control and ensure achievement of results to ease pressure on exchequer grants.

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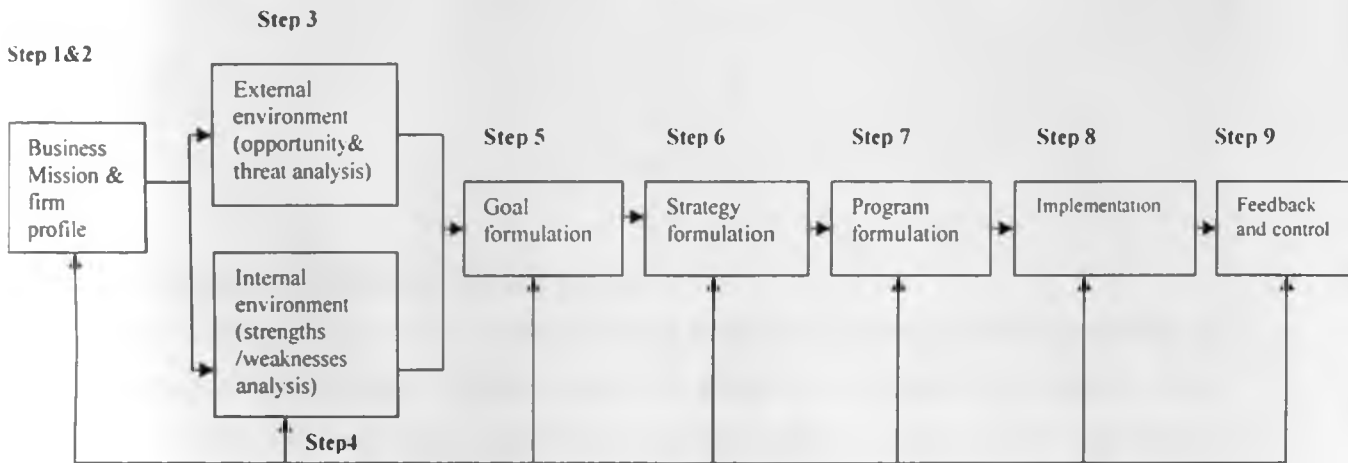
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APPENDICES:

APPENDIX I

Figure 1: The Business Unit Strategic Planning Process



Source: Kotler, P. & Keller, K. L.. (2006) pp.51, Marketing Management.

APPENDIX II

Interview Guide

Date.....

.....

.....

.....

RE: COLLECTION OF STUDY DATA

I am a postgraduate student at the University of Nairobi, pursuing a course in Master of Business Administration (MBA), School of Business. As part of my course work assessment, I am required to submit a management research project. In this regard I am undertaking research on “The challenges of implementing strategic plans at Kenya Dairy Board.”

The purpose of this letter therefore, is to ask you to kindly assist me by responding to the attached interview guide. The information provided will be used exclusively for academic purposes and your name will not appear on any report. I will telephone in two days so that we can agree on a convenient interview date. My supervisor and I assure you that the information you will provide will be treated in strict confidence. A copy of the final paper will be availed to you upon request. Your cooperation will be highly appreciated.

Yours sincerely,

**UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY**

**Mary Salome Sesi
MBA Student**

**Zack B. Awino
Supervisor**

SECTION A: DEMOGRAPHICS

- Position and title of interviewee.....
- Department /Branch
- Length of service in branch/department.....
- Length of service in KDB
- Does KDB have a formal organizational chart?
- Kindly provide a copy of the organization chart

SECTION B: STRATEGIC PLANNING

1. Does KDB have a strategic plan? When did they start preparing strategic plans?
2. Is the strategic plan formal or informal (written/ unwritten)?
3. Does KDB have a vision, mission and core values statements?
4. Does KDB have a service charter?
5. Does KDB review and revise its strategic plans?
6. What influences the strategic plans and how often does it review its strategic plans?
7. Is there an external organization that is concerned with realization of the objectives of the strategic plan at KDB?
8. Are there penalties/sanctions for non attainment of KDB goals?
9. If the answer to 1 and 7 above is yes what was KDB's score?
10. A part from GOK who are the other stakeholders of KDB? Who are interested in implementation of their strategic plans?

SECTION C: STRATEGY IMPLEMENTATION

1. Has KDB ever implemented its strategic plans?
2. Does KDB control and monitor its strategic plans?
3. State briefly whether the implementation has been successful and explain the indicators of success?
4. Did any changes take place in the organization during strategy implementation?
5. What kind of changes were they?
6. State whether they were structural, cultural, leadership, policies, procedures, computer systems, increase in resources base or otherwise.

SECTION D: CHALLENGES OF STRATEGY IMPLEMENTATION.

1. Structural Challenges

- a) State whether KDB considers structure an important factor to strategy implementation. If yes why do you say so?
- b) Is the structure a problem /challenge at KDB?
- c) What aspect of the organizations structure a challenge/problem if any?

2. Leadership

- a) State whether KDB considers leadership an important aspect of strategy implementation. If yes why do you say so?
- b) Is leadership a problem/challenge to strategy implementation at KDB?
- c) What aspects of leadership are considered a challenge/problem in implementing your strategic plans?

3. Cultural Challenges

- a) Does KDB consider culture an important factor in strategy implementation? If yes why do you say so?
- b) Is culture a challenge/problem in strategy implementation at KDB?
- c) If your answer to 3 b) is yes, then state in what ways culture is a challenge to strategy implementation.

4. Reward and Motivation Challenges.

- a) Does KDB have policies and procedures on employee reward and motivation systems?
- b) If the answer is yes, does KDB consider its reward and motivation system a challenge/problem to strategy implementation?
- c) If the answer to 5b is yes then state what problems or challenges were faced in strategy implementation

5. Policies and Procedure Challenges

- a) Who formulates policies and procedures at KDB?
- b) Does KDB consider policies and procedures an important aspect in strategy implementation?
- c) What challenges/problems did KDB encounter in implementing its policies and procedures?

6. Tactical and Operational Plans Challenges

- a) Does KDB prepare tactical and other operational like marketing programs and service awareness programs budget?
- b) Who prepares such programs and related budgets?
- c) Are these tactical programs and other operational plans linked to the annual budgets?
- d) If the answer to a and c above are yes then does KDB consider tactical and operational plans an important aspect of strategy implementation?
- e) If the answer to d) is yes, what challenges/problems did KDB encounter in using tactical and operational budgets/plans for strategy implementation?

7. Resource Allocation

- a) Does KDB consider resource allocation an important aspect of strategy implementation?
- b) Does KDB consider resource allocation a challenge to strategy implementation?
- c) What aspects of resource allocation were considered a challenge/problem in strategy implementation?

8. Management and Employee Involvement

- a) Who prepares the strategic plans?
- b) Are employees at all levels involved in the preparation of KDB strategic plans?
Are they participatory?
- c) Does the approach of preparing the strategic plans pose a problem/challenge to the implementation? If yes explain the challenges faced?

9. Budgetary Allocation

- a) Who is responsible for preparing the budgetary estimates and who determines how the funds should be allocated?
- b) What is the basis of making the budgetary allocations or estimates?
- c) Does KDB consider the budgeting allocation process as an important aspect in strategy implementation?
- d) Do the final budgetary allocations pose a challenge/problem in strategy implementation?
- e) If answer to (d) above is a problem please explain?

10. Communication of Responsibility and Accountability

- a) How are tasks and feedback communicated to staff at all levels from the highest to the lowest and vice versa?
- b) Are strategic plans communicated to all staff before implementation?
- c) Who ensures that strategic plans achieve the set objectives?
- d) Does KDB consider communication of responsibility and accountability a challenge/problem to strategy implementation? If yes indicate in what way it is a problem?

11. Globalization Forces

- a) Does KDB factor in possible influences of the global market in preparing their strategic plans?
- b) How have the global market forces impacted the strategy implementation process at KDB?
- c) Are influences of the global market forces considered a challenge to strategy implementation and in what way are they a challenge/problem?

12. Power and Politics

- a) State whether Power and Politics influence strategy implementation in KDB. If yes why do you say so?
- b) Is Power play a problem /challenge to KDB strategy implementation? If the answer is yes explain how?

13. Implementation Control

- a) What basis does KDB apply in controlling strategic plan implementation? Is it Previous years actual results or budget, the future targeted position or a benchmarked position.
- b) Does KDB consider implementation control as an important aspect of strategy implementation?
- c) If the answer to 13b is yes, was implementation control a challenge or problem to strategy implementation?
- d) Which aspects of the implementation control process were a challenge/Problem?

14. Other Challenges/Problems

- a) Are there other challenges to strategy implementation and which are not mentioned above because they are unique to KDB and the Dairy Industry?
- b) Kindly enumerate them and explain in what way they are a challenge/problem to strategy implementation in KDB.



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DATE 7-8-2009

TO WHOM IT MAY CONCERN

The bearer of this letter MARYSAMONE N. SESE


Registration No: DBI/70053/2007

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


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