STRATEGY EVALUATION AND CONTROL AT USHURU SAVINGS AND CREDIT COOPERATIVE SOCIETY LIMITED

BY

JOSEPH HAMISI JUMA

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DECLARATION

This management research project is my original work and has not been submitted for examination in any other university.

Signature ____________________ Date ______________________

JOSEPH HAMISI JUMA

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

Signature _______________________ Date______________________

MR ELIUD MUDUDA

LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

DEDICATION

I dedicate this management research project to my loving wife, Evalyne, who encouraged me to pursue the program in spite of various challenges and my lovely daughters Gloria and Faith, whose smiles motivated me to pursue the program to completion.

To my mum, Mary Njoki whose struggle has seen me through my education through many challenges, I also extend my heartfelt thanks.

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May God bless you all!

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ABREVIATIONS

SACCO	-	Savings and Credit Co-Operative
OECD	-	Organisation for Economic Co-operation and Development
SACCO	-	Savings and Credit Cooperative Society
SASRA	-	Sacco Societies Regulatory Authority
GDP	-	Gross domestic product
CUEW	-	Customs & Excise Workers
KRA	-	Kenya Revenue Authority
F.O.S.A	-	Front Office Service Activity

ABSTRACT

The business world is in the process of a global transformation. Mergers, acquisitions, outsourcing and downsizing are becoming common word everywhere. International boundaries are fading in importance as businesses take on a more global perspective (Stevens, 2000). Strategic management takes a panoramic view of this changing business terrain and attempts to show how large and small firms can be more effective and efficient not only in today's world but tomorrow as well. Strategic management is the set of managerial decisions and action that determines the way for the long-range performance of the company. It includes environmental scanning, strategy formulation, strategy evaluation and control, evaluation and control. The objectives of the study were to establish strategy evaluation and control practices at Ushuru Sacco and determine the factors that influence strategy evaluation and control practices at Ushuru sacco. The research was conducted through a case study method. A sample of six persons from the top and middle management was interviewed in order to gain an insight into what response strategies that this level of management applied in order to deal with the changing the strategic evaluation and control system. Content analysis technique was used to analyze the data. The study found that to ensure compliance with the strategy can go a long way in helping the Sacco gain a competitive edge, help in defining the business of the Sacco and also help in achieving right direction. The study finally concludes that initiatives are taken by management in creating and sustaining a climate within the Sacco that motivates employees in their implementation role with managers paying as much attention to planning the implementation of their strategies as they give to formulating them. Since this study adopted the interview method as the primary data collection method, the researcher suggests that a study be carried out using other methods of primary and secondary data collection to see whether there will be difference in the results.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The business world is in the process of a global transformation. Mergers, acquisitions, outsourcing and downsizing are becoming common word everywhere. Privatization is allowing free enterprise to take on functions that previously were the domain of government. International boundaries are fading in importance as businesses take on a more global perspective and the technology of information age is telescoping the time it takes to communicate and make decision (Stevens, 2000). Strategic management takes a panoramic view of this changing business terrain and attempts to show how large and small firms can be more effective and efficient not only in today's world but tomorrow as well. Strategic management is the set of managerial decisions and action that determines the way for the long-range performance of the company. It includes environmental scanning, strategy formulation, strategy evaluation and control, evaluation and control.

The overall objective is to determine whether it meets the strategic mission and objectives of the company, its available resources, and changes in internal and external environment. Quality of strategy evaluation, on which depends the quality of subsequent firm performance and its competitive position is determined by the methodological instruments used in the assessment process but, above all, the company's ability to evaluate and learn from their strategic experience. Control activity is to ensure that the objectives are achieved effectively. Control is needed to anticipate problems that may occur (Shenkir, 1997).

According to Porter (1988) when companies suddenly collapse, the often-resounding question is, "what went wrong?" A breakdown in the control system is the usual cause. Internal control is a process that guides an organization towards achieving its objectives. Many authors agree that when the external environment changes, fundamental strategy and structural changes may be necessary (Chandler, 1962; Ansoff and McDonnell, 1990). It is in this realization that the government of Kenya has insisted on rapid results for Kenya through effective management of organizations. There are two major parts of strategy evaluation and control; an operational assessment, which examines to what extent each of the operational objectives have been reached and a budget evaluation and employee performance evaluation.

According to OECD (2002), evaluation and control is the systematic and objective assessment of an on-going or completed project, program, or policy including its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability.

1.1.1 Strategy Evaluation and Control

Kazmi (2002) appreciates that strategic management consists of different phases which include: establishing the hierarchy of strategic intent, formulation of strategies, implementation of strategies and performing strategic evaluation and control. However, the division of strategic management into different phases is only for purpose of orderly study. In real life, the formulation and implementation process are intertwined (Andrews, 1971). According to Kazmi (2002), the last phase in strategic management is strategic evaluation and control. This is the systematic and objective assessment of an on-going or completed project, program, or policy including its design, implementation, and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact, and sustainability (OECD, 2002).

David (1997) claims that only ten percent (10%) of formulated strategies are successfully implemented. The reason advanced for the failure or the success of the strategies revolve around the fit between the structure and strategy, the allocation of resources, the organization culture, leadership, rewards as well as the nature of the strategy itself. A firm's successive strategies are greatly affected by its past history and often take shape through experimentation and ad hoc refinement of current plans, a process James Quinn (1980) has termed "logical incrementalism". Therefore the re-examinations of past assumptions, the comparison of actual results with earlier hypotheses have become common features of strategic management.

Rumelt (2000) notes that, the basic premise of strategic management is that the chosen strategy will achieve the organizations' mission and objectives. He further argues that strategy can neither be formulated nor adjusted to changing circumstances without the process of strategy evaluation. Whether performed by an individual or as part of an organization review procedure, strategy evaluation forms an essential step in the process of guiding an enterprise. As performance results or outcomes are realized at any level of the organization, companies must assess the implication and adjust the strategies as needed in a continuous process of improving the business through an evaluation and control mechanism in an effort to succeed and reach company goals (Coulter,2005).

Recent articles on local and foreign companies confirm notable barriers to successful strategy evaluation and control about which there appears to be a degree of accord including Beer and Schelling (2003) who assert that six silent killers of strategy evaluation and control comprise: a top-down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development, insufficient resource allocation.

Kaplan and Norton (1996), advance the view that organizational performance measures should go beyond financial ratios. They consider the balance score card beneficial to organizations for: it focuses the whole organization on few key things needed to create breakthrough performance; it helps to integrate various corporate programs such as quality, re-engineering, and customer service initiatives; it breaks down strategic measures to local levels so that unit managers, operators and employees can see what is required at their level to roll into excellent overall performance.

1.1.2 SACCOS in Kenya

A Savings and Credit Cooperative Society (SACCO), is a form of financial institution formal in nature, owned, controlled, used and democratically governed by members themselves. Its purpose is to encourage savings among members and using the pooled funds to make loans to its members at reasonable rates of interest, and providing related financial services to enable members improve their economic and social conditions.

SACCOs in Kenya or the SACCO movement in Kenya is billed as the largest in Africa and among the top 10 globally. With over Ksh. 230 billion in assets and a savings portfolio estimated at Ksh. 190 billion, the SACCO movement in Kenya constitutes a significant proportion, about 20 per cent, of the country's domestic savings. SACCOs in Kenya have thus become a vital component of Kenya's economic and social development. As envisioned in Kenya's development blueprint, Vision 2030, Saccos are already playing their critical role of savings mobilization for investments. Many rural and urban Kenyans now own homes and other business enterprises courtesy of funds through their Saccos

With the sector controlling such huge resources and the savings, there were numerous cases of theft and misappropriation of funds and the government came up with the legislation to regulate the sector. Due to the rapid growth, the Government of Kenya's commitment to established SACCO legislation, implement international financial performance standards and begun supervision of SACCOs with the sole aim of providing the incentive for improvement of SACCO management and performance.

The Sacco Societies Regulatory Authority (SASRA) is a Semi-Autonomous Government Agency under the Ministry of Cooperative, Development and Marketing. It is a creation of the Sacco Societies Act 2008 and was inaugurated in 2009 charged with the prime responsibility to license and supervise deposit taking Sacco Societies in Kenya. The Authority derives its powers to regulate the deposit taking Sacco Societies in Kenya from the Sacco Societies Act 2008 and the Regulations issued there under. The mandate of the Authority as provided by the Act includes; licensing Saccos in Kenya to carry out deposit-taking business in accordance with this Act; regulate and supervise Sacco societies; do all such other things as may be lawfully directed by the Minister; and Perform such other functions as are conferred on it by this Act or by any other written law.

Co−operative societies continue to play a significant role in our everyday lives. At least one out of every five Kenyans depend on co−operative societies for their livelihood and social well being. The sector contributes 45% of Kenya's GDP and 31% of national savings and deposits.

More than 250,000 Kenyans are employed by this sector directly. The statistics underscore the importance of these institutions as drivers of our general well being.

SACCOs in Kenya are gradually responding to the fast changes in the financial environment and adopting new approaches to the SACCO model. SACCO membership is based on common bonds and knowledge about the borrower. These mechanisms, SACCOs argue, have proven their ability to manage risk, enforce lending contracts and reduce the transaction costs of delivering credit.

Until recently, SACCOs have been able to retain their membership and attract new members through natural affiliation, stemming from the common bond among members. With increased competition from other financial service providers and other factors such as retrenchment, Sacco membership was on the decline prompting the SACCOs to come up with strategies and products to assist them cope with these challenges. Some of these strategies include extending to alternative markets from what they had predominantly served and diversifying their product range.

1.1.3 Ushuru Sacco

Ushuru Savings and Credit Co - operative (Sacco) Limited was started in 1970 by employees of the then Customs and Excise Department, Ministry of Finance, under the name of Customs & Excise Workers (CUEW) Sacco. At inception, its membership was limited to employees of the Customs Department, although those who were transferred from Customs to other Government Departments enjoyed the right to retain their membership. The society's vision is to be a leading world class preferred and trusted SACCO in the provision of unique, quality and highly efficient services to members.

When Kenya Revenue Authority (KRA) was formed in 1995, the CUEW Sacco by-laws, in force at the time, did not allow recruitment of members outside the common bond. This necessitated changes to the by ‑ laws in order to allow membership from other Government Ministries and Parastatals. In 2002, the CUEW Sacco changed its name to USHURU Sacco Limited to reflect the new all-inclusive membership that now consisted of KRA employees. The society has continued to perform remarkably well in its quest for quality service to its members and has continuously ranked quite favorably compared to other co ‑ operative societies in the country. In the just concluded year, the society scooped various awards during the National Ushirika day Celebrations, holding position three in best loan services to members, high dividend rates and highest savings by members and the second lowest expenditure co ‑ operative society, all these in the parastatal sector.

The Society has registered tremendous growth in various aspects of its operations. Current membership stands at 3,400 and is expected to grow to 5,000 within the life of this strategic plan. The total assets currently stand at 1 billion with the total turnover having crossed the Kshs. 100 million mark. The society's loan portfolio stands at Kshs. 960 million and is targeted to hit the 1 billion mark within the first quarter of the year 2010.With the expected membership growth and full implementation of the Front Office Service Activity (F.O.S.A), it is foreseen that the business performance of the society will be remarkably well within the next three years taking into consideration the full implementation of the current strategic plan.

The year 2007 ‑ 2009 Strategic Plan was the society's first plan which has since lapsed and its successes, achievements and shortfalls evaluated. The review included an assessment of all the action points as was set forth and level of implementation. This review thus formed the bedrock of their second Strategic Plan 2010-2012. The Society has set its targets of activity in the coming three years and hopes these will go a long way in improving services as well as returns to members and their funds.

The Society's Board reviewed the 2007 ‐ 2009 Strategic Plan with a view of identifying the strengths, weaknesses and the factors that led to the non attainment of set goals as planned. The Board initiated the process of developing the 3 year 2010 ‐ 2012 Strategic plan with the theme of "realigning the Society to the changing market trends to overcome competition" due to the dynamic members' needs and co‒operative environment.

1.2 Research Problem

Strategic evaluations are significant as they provide essential data about the success of organization development assistance as well as recommendations on how to face problems and inadequacies found in the evaluations. The intention of the control is that the organization has to respond to the evaluations with conclusions of lessons learned and actions that need to be taken.

The introduction of the Sacco Act 2008 and the subsequent formation of the Sacco Regulatory Authority brought with it a new legal framework that is surely to change the way co-operative societies conduct their business. Co-operative Societies, Ushuru Sacco included, are expected to change strategies in their business approach and this calls for an entire review of the Society's operations.

There is little emphirical evidence on strategy evaluation and control as one of the sequential stages in the strategic management process. The available studies have only focused on strategy implementation in different organizations, non-profit sector (Bwibo, 2001; Kiruthi, 2003;Musyoki, 2003), the manufacturing sector (Aosa,1992; Gekonge, 1999; Machuki, 2005; Otieno, 2006), and parastatals (Koske,2003; Ateng, 2007; Tai,2007; wanyama,2009). However none has shown how each sequential stage in strategic management process has contributed immensely to successful strategy management.

In deed no much studies about strategic management by Sacco's in Kenya is documented. Asewe (2009), in her study on strategic planning at Harambee sacco is among the few contribution to research in Sacco's in Kenya. In fact no documented research is available to show how strategic management at Ushuru sacco is carried out and applied. This therefore made this research a worthwhile venture.

The society's first strategic plan was for the year 2007 ‑ 2009 which has since elapsed has and its successes, achievements and shortfalls evaluated. This review thus formed the bedrock of their Strategic Plan for the year 2010 -2012. In its second strategic plan, the society reviewed its strategies for the first plan, to evaluate their success or failure. Upon the expiry of the current strategic plan, the society looks forward to roll out the third strategic plan. In addition, the business environment, especially the financial sector has been constantly changing which means the institutions strategies keep on being reviewed with time, in order to achieve the society's objectives from time to time.

The study was therefore guided by the following research questions:

i. What practices are used in strategy evaluation and control at Ushuru Sacco?

ii. What factors influence the selection of strategy evaluation and control practices at Ushuru Sacco?

1.3 Research objectives

The objectives of the study were to;

i. Establish strategy evaluation and control practices at Ushuru Sacco.

ii. Determine the factors that influence strategy evaluation and control practices at Ushuru sacco.

1.4 Value of the study

This study will be useful to the management of Ushuru Sacco, as it will help them understand how to link the organizational strategy to their operational and short term strategic evaluation and control system. It will also help them understand the importance of strategic evaluation and control system and how it helps achieve success as a strategic management tool. It will help employees understand how to relate the strategy of their organizations to their daily activities and hence contribute to overall organizational success. It will help the employees and management to be more adaptive to the environment and enable them to take corrective action before it is too late.

Other Managers in other industry Sectors will also benefit by establishing methods used in gathering and applying strategic evaluation and control system, which will help them to improve their strategic management styles. The society's customers will also appreciate the organizations efforts in improving on service delivery, hence increasing their confidence and loyalty to the institution.

The study will also be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. It will also highlight other important relationships that require further research; this may be in the areas of relationships between strategic evaluation and control system and strategic management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the literature available on strategic management and the use of strategic evaluation and control system.

2.2 Strategic management

The phrase strategic management is derived from the term ‘strategy’. The term strategy has been so widely used for different purposes that it has lost any clearly defined meaning. Rumelt (2000) has defined strategy as a set of objectives, policies, and plans that, taken together, define the scope of an enterprise and its approach to survival and success. Alternatively, it can be said that particular policies, plans, and objectives of a business express its strategy for coping with a complex competitive environment. Johnson and Scholes (2002), define strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through the configuration of resources within a changing environment to meet and fulfil stakeholder expectations.

Quinn (1992) believes that a well formulated strategy enables an organization to marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment and contingent actions by competitors. From the above perspectives, it can be said that strategy is about winning not a battle but a war. Strategy is a unifying theme in an organization that gives coherence and direction to the actions and decisions of an individual or an organization.

Strategic management is an ongoing process that assesses the business and industries in which a company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually i.e regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment (Lamb, 1984).

David (2001) noted that strategic management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. These definitions imply that strategic management focuses on integrating management, marketing, finance, production, research and development and information communication technologies to achieve organizational success.

Hunger and Wheelen (1999) define strategic management as a set of managerial decisions and actions that determine the long run performance of a corporation. These include environmental scanning, strategy formulation, strategy implementation, evaluation and control. They lay emphasis on monitoring and evaluation of external opportunities and threats in light of a company's strengths and weaknesses in an effort of making timely changes in responding to changes in the environment. Strategic management consists of different phases which are sequential in nature. These phases include: formulation of strategies, implementation of strategies and performing strategic evaluation and control. It is to be noted here that the division of strategic management into different phases is only for purpose of orderly study.

2.3. Strategy Evaluation and Control

According to Senge (1990), managers responsible for the success of a strategy are concerned with these questions; are we moving in the proper direction? Are key things falling into place? Are we doing the critical things that need to e done? Should we adjust or abort the strategy; how are we performing? Are objectives and schedules being met? Are costs, revenues and cash flows matching projections? Do we need to make operational changes? For Schendel and Hofer (1984), strategic control focuses on the dual questions of whether: the strategy is being implemented as planned; and the results produced by the strategy are those intended. For them, strategy evaluations is concerned primarily with traditional controls processes which involves the review and feedback of performance to determine if plans, strategies, and objectives are being achieved, with the resulting information being used to solve problems or take corrective actions.

Strategic evaluation is difficult because, each business strategy is unique and strategy is centrally concerned with the selection of goals and objectives. Majority of people find it much easier to set or try to achieve goals than to evaluate them; formal systems of strategic review, while appealing in principal, can create explosive conflict situations. In other words, the whole idea of strategy evaluation implies management by "much more than results" and runs counter too much of currently popular management philosophy (Rumelt, 2002).

Rumelt (2002), further argues that of the many tests which could be justifiable applied to business strategy, most will fit within one of these broad criteria: Consistency – that is the strategy must not present mutually inconsistent goals and policies: Consonance- the strategy must represent an adaptive response to the external environment and to the critical changes occurring within it; Advantage-the strategy must provide for the creation and/or maintenance of a competitive advantage in the selected area of activity; and Feasibility-the strategy must neither exceed available resources nor create unsolvable sub problems.

Noble (1999) proposes a solution by Government to intensify its focus on economic policy that aims at addressing structural problems that impede economic growth and wealth creation and by business to rectify the shortcomings of current management through acquainting them with sound theory underpinning management.

The competency required of the management therefore is the practical ability to juggle planned strategies with realized strategies. According to Noble (1999), these strategies have to be communicated, interpreted, adopted and enacted and these components cannot be detached from one another. There is no doubt that two-way communication within organizations is seen as fundamental to the effective evaluation and control of strategy, with emphasis on facilitating useful feedback and reacting to bottom-up messages (Alexander, 1985).

Atkinson (2006) notes that theorists may have an emerging consensus about the important evaluation and control issues to be addressed like: The importance of communication; Problems in identifying relevant performance indicators; the significant part played by the managers; the role of strategic control systems, however, Reed and Buckley's observations are that literature has focused on different aspects of strategy evaluation and control and offers partial problem-solving solutions as a result general rules are elusive (Reed and Buckley 1988). This is indeed a very valid observation of the fragmentation and it therefore requires leaders of organizations to know their organizations thoroughly and know what strategic evaluation and control factors to address during different times of change. It certainly is very difficult to give a cut and dried solution in terms of a specific model or framework. The test for the achievement of dynamic formulation and strategic evaluation and control appears to be the ability of business leaders and management to apply various strategies as required and maintain stability in times of change, thus the organization needs to be clear about what it is trying to achieve.

Schregogg and Steinmann (1987) propose a 3-step model of strategic control which includes premise control, implementation control, and strategic surveillance. Pearce and Robinson extend this model by adding a component "special alert control" to deal specifically with low probability, high impact.

According to Pearce and Robinson (2005), every strategy is based on certain planning premises-assumptions or predictions. Premise control is designed to check systematically and continuously whether the premises on which the strategy is based are still valid. If a vital premise is no longer valid, the strategy may have to be changed. The sooner an invalid premise can be recognized and rejected, the better are the chances that an acceptable shift in strategy can be devised. Planning premises are primarily concerned with environmental (for example, inflation, technology, interest rates, regulation, and demographic/social changes) and industry (for example, competitors, suppliers, substitutes, and barriers to entry) factors. It should however be noted that all premises may not require the same amount of control. Therefore, managers must select those premises and variables that: are likely to change; and would have a major impact on the company and its strategy if they did occur.

Schreyogg and Steinmann (1987) argue that by their nature, premise controls are focused controls; strategic surveillance, however, is unfocused. Strategic surveillance is designed to monitor a broad range of events inside and outside the firm that are likely to affect the course of its strategy. The basic idea behind strategic surveillance is that important yet unanticipated information may be uncovered by a general monitoring of multiple information sources. In other words, strategic surveillance should be a loose environmental scanning activity (Pearce and Robinson, 2005). Strategic surveillance information may be obtained from trade magazines, trade conferences, conversations, and intended and unintended observation of all subjects of strategic surveillance.

Another type of strategic control, really a subset of the other three, is special alert control. A special alert control is the thorough, and often rapid, reconsideration of the firm's strategy because of a sudden, unexpected event such as a political coup, product poisoning, plane crash, terrorism and post election violence. Such an event should trigger an immediate and intense reassessment of the firm's strategy and its current strategic situation. In many firms, crisis teams handle the firm's initial response to unforeseen events that may have an immediate effect on its strategy. Increasingly, firms have developed contingency plans along with crisis teams to respond to circumstances (Pearce and Robinson, 2005).

According to Waterman (1982) and Simons (1994), strategy evaluation can take place as an abstract analytical task, perhaps performed by consultants. But most often it is an integral part of an organization's processes of planning, review and control. In some organizations evaluation is informal, only occasional, brief and cursory. Others have created elaborate systems containing formal periodic strategy review sessions. In either case the quality of strategy evaluation and ultimately the quality of corporate performance will be determined more by the organization's capacity for self appraisal and learning than by the particular analytic technique employed (Simons, 1994). It should be noted that in most firms, comprehensive strategy evaluation is infrequent and is normally triggered by change of leadership or poor financial performance yet organizations need to be continually informed of how well or how badly they are performing in reference to their strategic directions.

2.3.1 Formal Controls

Formal control can be derived from the agent theory; Jensen and Meckling (1976) stated that formal control systems are, totally or partially, designed to monitor the agency relationships within business organizations. The agency relationship involves a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf. Assumption is that if both parties of this relationship are utility maximizers, it is probable that the agent will not always act in the best interests of the principal. Therefore formal control is needed to direct agents' behaviour to act according to principals objectives. Eisenhardt (1985) categorizes formal control into three control groups:1 behaviour control, 2 input control, 3 output control. Behaviour control, also known as structural or bureaucratic control, is usually based on the use of rules and procedures to monitor employee behaviour. Input control refers to the manipulation of resources intended to influence organizational performance. Output control describes the regulation of results of activities in an attempt to achieve desired goals.

Dekker (2004) suggests that formal control includes contractual obligations and formal organizational mechanisms for cooperation and can be subdivided into outcome and behavioural control mechanisms. Fryxell et al. (2002) stated that formal control mechanisms are structural arrangements deployed to determine and influence on organizational members action. Simons (1995) includes into formal controls formalized procedures for planning, budgeting, environmental scanning, market analysis, performance reporting and evaluation, resource allocation, rewarding etc. Characteristics for these controls are that they are formalized processes that contain a great number of data. Alvesson and Kärreman (2004) identified technocratic controls as formal ways to control.

Technocratic controls are the objective and behavioural aspects of control. Technocratic controls work through plans, arrangements and systems that focus on behaviour and/or measurable outputs. The five modes of technocratic controls are: simple, technical, bureaucratic, occupational control and worker self-control modes of control. Simple control is a supervising power of the manager over the worker. Technical controls are embedded in the technology of work. Bureaucratic controls are carried out through rules, policies, formal incentives and other personal devices. Occupational control the individual's profession defines desired or undesired action. Self-control is exercised when individual's themselves produce discretion. Merchant (1998) stated that action and result controls are seen as formal ways of controlling. Action controls are applied to activities. Action controls direct the individuals' behaviour the most visible way. These mechanisms can be categorized to behavioural constraints, preaction reviews, action accountability and redundancy. According to Otley (2003) action controls are direct and they lead to accumulation and documentation of knowledge such as policies and procedures. This knowledge can be seen as organizational memory and ease organizational coordination. These controls are employed particularly in bureaucratic organization.

They suggest that these controls are passivating, cause negative attitudes and difficulty to perform while organizational change. The result controls drive performance through rewarding or punishment. They involve performance measurement and communication of these results. These control mechanisms includes both financial and non-financial measures. Result controls involve four stages (Ouchi, 2006): 1 establishing performance measures that minimize the action is undesirable, 2 establishing performance targets, 3 measuring performance, 4 rewarding or punishment. Result controls are feasible to adopt there where they do not exist. Results controls due to its performance oriented nature are able to provide autonomy to individuals, which can be considered as positive while controlling. The downsize of these controls are that they might indicate less of the nature of action taken. Also there controls might shift of risk from owners to workers and cause measurement noise. These control mechanisms might also put challenge in motivation and coordination of work (Roberts, 1991).

Scapens (1990) argues that formal control systems are effective when the environment is stable, behaviour is standardized into routines, processes are monitored and the individuals' performance is measured. Falkenberg and Herramans (1995) suggest that effective formal systems reduce uncertainty, because these systems set a basis on which to individuals' behaviour can be directed.

2.3.2 Informal Controls

Formal control included rules, standard operating procedures and budgeting systems. Characteristics for these mechanisms are that they are build through conscious process. On the contrary, informal controls are not consciously or in fact cannot be explicitly designed; these controls emerge from the organization. According to Langfield-Smith (1997) Informal controls include the everyday policies of the organization and are tied to organizational culture. As stated, these controls cannot be designed explicitly; they are shaped and influenced by activities such as frequent interactions, meeting, negotiation of disputes, codes of conduct, senior management attitudes and style, rituals and other organizational influences. Therefore these controls are ordinarily difficult to acknowledge. Formal controls are therefore more visible and objective components of the control system than informal controls.

The distinctions and definitions of informal controls are manifold, and literally there can be distinguished as many definitions as there are scholars in this field. For example Anthony and

Govindarajan (1998) separated informal controls into external and internal view. External controls included work ethics and internal control processes. Internal controls mechanisms were in this model culture and management style. Drury (2000) divided the informal control mechanisms into two groups: personal relationships and corporate culture. Common for all the definitions is that they see informal controls functioning in the social relationships in the

organizational context and therefore many researchers define informal controls as social control which can be understood as shared norms, values and beliefs. However, Langfield-Smith (1997) suggests the understanding of informal controls have been ambiguous and occasionally misunderstood and this prestated definition is misleading.

Ekholm and Wallin (2000) suggested that informal controls i.e. socio-ideological controls are efforts to persuade people to adapt to certain values, norms and ideas about what is good, important, praiseworthy etc. in terms of work and organizational life. Ideologies justify certain principles, actions and feelings and discourage others. They describe socio-ideological control as management control practices that intend to affect on behaviour indirectly. Most of the literature argues that the socio-ideological controls are exercised non-bureaucratic and non-output measurement ways. These practices target minds through norms, emotions, beliefs and values. The key characteristics to function are social relations, identity formation and ideology.

Hopwood (1987) suggests that social controls serve three different purposes: 1 clarification of expectations; 2 ensure capabilities to perform; 3 self-monitoring, Hopwood relates informal controls to informal cultures and systems which influences organization’s members and it is based on self-regulation. These mechanisms base on the belief that solidarity and commitment towards the organization’s objectives can affect on individuals behaviour to overcome their own interests.

The socialization process is powerful control mechanism. For example the Japanese organizations rely highly on social controlling by selecting and hiring inexperienced, green workers and educate them to pursue precisely organization's mission and goals. These clan controls lead to high work ethics which Japanese firms are famous for. (Ouchi, 1980) Informal controls are most efficient when the individuals are ambitious to perform (Ouchi, 1980). This also occurred in the case of Alvesson and Kärreman (2004). Interesting for this study is that according to Ouchi (1979) the clan controls fit best such organizations as in the public sector, in service industries and fast-growing technologies.

2.4 Problems associated with strategic Evaluation and Control

Thompson et al. (2005) have recognized four problems associated with strategy evaluation and control namely: (1) the need for a clear fit between strategy and structure no matter which comes first as long as there is congruence in the operating environment. (2) The need for management style to be appropriate to the strategy being implemented. (3) Problematic goal setting and controls, with need for heightened control as uncertainty and change provide a volatile environment. (4) The difficulty of identifying coordinated targets at various levels in the organization. Atkinson (2006) suggests that the balance scorecard can be used in facilitating effective strategy evaluation and control and it could address the key evaluation and control problems.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research design, data collection techniques, and the method of data analysis used in the research.

3.2 Research Design

The research was conducted through a case study method. Young (1960) describes case study as 'a comprehensive study of social unit be it that unit, a person, a group, a social institution, a district or a community'. According to Mugenda and Mugenda (2003), a case study is an in-depth investigation of an individual, group, institution or phenomenon. Kombo and Tromp (2006), contend that a case study seeks to describe a unit in detail, in context and holistically.

The study required an in-depth investigation and hence it was only appropriate to use a case study. Rather than using samples and following a rigid protocol to examine limited number of variables, a case study method involved an in-depth, longitudinal examination of a single instance or event and hence providing a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher gained a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research.

The aim was to equip the researcher with in-depth information on how Ushuru Sacco as an organization responds to strategy management conditions as well as got insight on strategic evaluation and control system. The case study was an appropriate research design as it undertook in-depth analysis of Ushuru Sacco as a unit hence facilitated intensive study of the same.

3.3 Data Collection

Primary data was collected for the study. The primary data was gathered using the interview method. This approach was used previously in similar research papers like the one by Rose (2007) about change management practices adopted by KRA. The respondents were randomly selected from top and middle management positions of Ushuru Sacco. The selection of the top and middle management positions was due to the fact that the research involves strategy which mainly occurs at this level before it trickles down for implementation and then feedback went back to the management for action.

A sample of six persons from the top and middle management was interviewed in order to gain an insight into what response strategies that this level of management applied in order to deal with the changing the strategic evaluation and control system. The interview was prior arranged with the managers which ensured their availability.

3.4 Data Analysis

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it. The process of organizing and thinking about data is key to understanding what the data does and does not contain. Summarizing data is often critical to supporting arguments made with that data, as is presenting the data in a clear and understandable way.

The content analysis technique was used to analyze the data. The findings emerging from the analysis were used to compile the report. Content analysis is defined as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to related trends (Nachmias and Nachmias, 1996). The qualitative method can be used to uncover and understand what lies behind the phenomena under study (Nyororo, 2006).

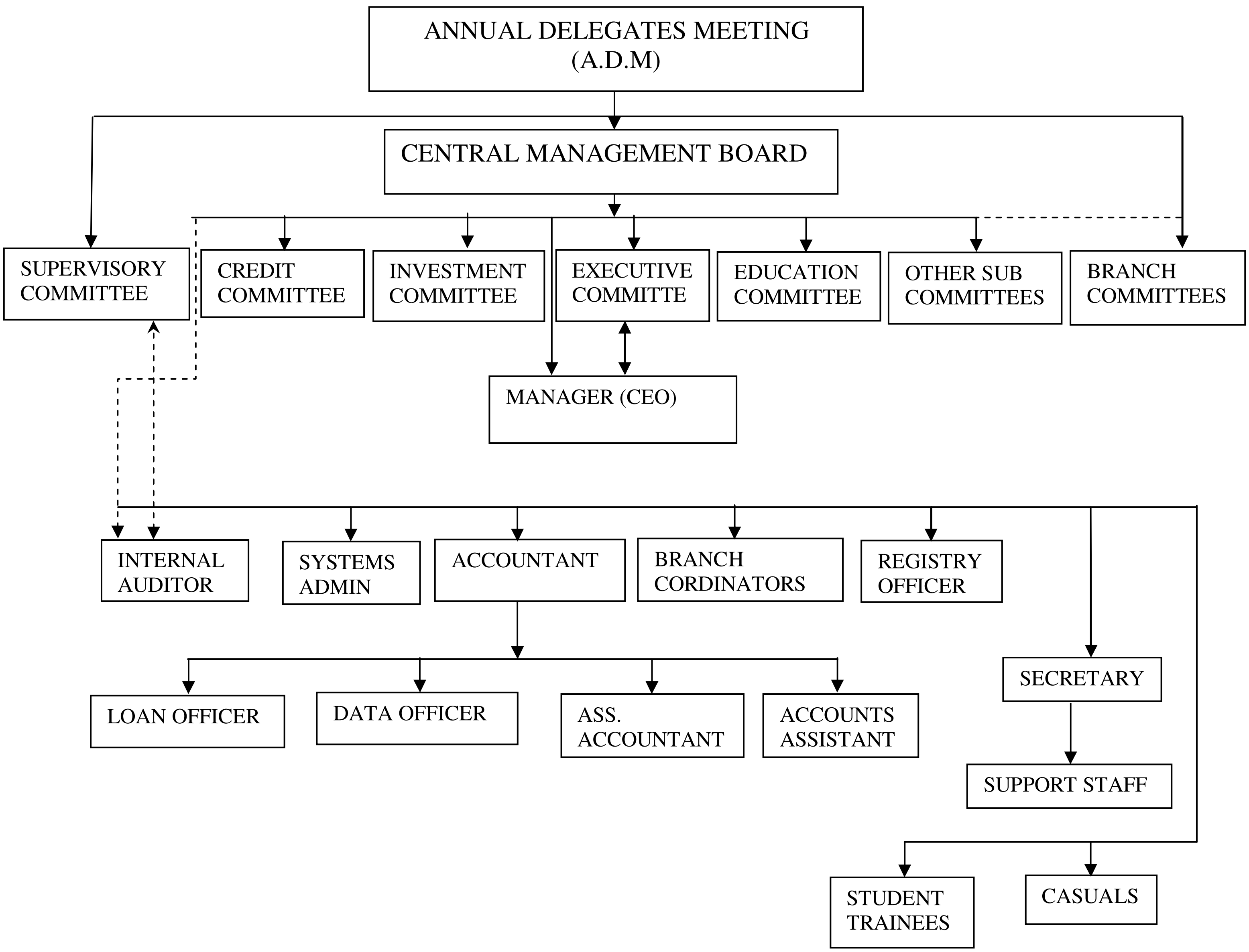
CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter documents and presents the findings, discussions, conclusions and recommendations on the responses by Ushuru Sacco on strategy evaluation and control. The study collected qualitative data. In this chapter the data is analyzed, interpreted and discussed.

4.2 Ushuru Sacco Profile

The Society has a comprehensive structure of organization and governance in place. The various aspects of policy making, management and administration are distinctly separated to ensure quality service to all members of the society. The society has nine Management Board members elected from the delegates of the society. However, delegates serving in the management are drawn only from the Nairobi Region. This is for ease and convenience. One third of the Board members retire on rotational basis but are eligible for re-election, in accordance with the provisions of the Co - operative Societies Act and Rules. The day to day running of the society is vested in the Administration, consisting of the Manager and all the employees of the society, under the overall supervision of the Management Board. The administrative functions of the society are clustered in departments each with its sets of distinct functions.



4.3 Strategy evaluation and control practices

Those involved in strategy operation process according to the interviewees at the Ushuru Sacco are senior managers, middle level managers and top management and all the other employees. Communication is a key success factor within strategy operation. Role of communication in the process of strategy operation at Ushuru Sacco is acting as an effective vehicle for focusing the employees' attention on the value of the selected Strategy evaluation and control practices. The management ensures compliance and success of a strategy such as, education programs, delegation of duties and they also engage consultants. The management continue to develop the skills and expertise of the information access team to ensure high quality, timely and consistent responses to information requests. Review the information request handling procedures looking for opportunities to improve efficiency. Introduce procedures for quality checking and improve the internal review handling procedure ensuring that lessons are learnt from reviews and reducing the elapsed time for completion of reviews to ensure smooth flow of strategy evaluation and control practices at Ushuru Sacco.

Ushuru Sacco is a financial institution which is optimistic that their current strategy commitment. The importance of management ability, or competence, in achieving strategy commitment is top management's strategic choices. It reflects favorably on choices made in other parts of the Sacco. Strategic level manager's demographic characteristics should be examined for the formulation and operation of strategic decisions. Those in the Sacco must understand each important detail in management's intended strategy. The Sacco is to take collective action; the strategy needs to make as much sense to each of the members in the Sacco as they view the world from their own context, as it does to top management. The collective intentions must be realized with little unanticipated influence from outside political, technological, or market forces in order to achieve strategy commitment by all stakeholders.

Table 4.1 Distribution of Respondents position Held in the SACCO and Department

Distribution		
Position Held	**Number**	**Department**
Manager Accounts	1	Accounts and Administration
Projects Manager	1	Operations
Human Resource Manager	1	Human Resources
Finance Manager	1	Finance and Commercial
ICT Manager	1	ICT
Loans Regulatory Manager	1	Regulatory
Total	**6**	

Table 4.1 sought to show the position held by the respondents under study and their respective departments in the SACCO. It was established that the interviewee comprised of manager accounts, projects manager, human resource manager, finance manager, ICT manager and loans regulatory manager respectively.

4.4 Strategy success factors at Ushuru Sacco

On the question of measures used to ensure compliance with the strategy the interviewees indicated that, resource allocation is a central management activity that allows for strategy execution. It was noted that in organizations that do not use a strategic-management approach to decision making, resource allocation is often based on political or personal factors. Strategic management enables resources to be allocated according to priorities established by annual objectives. Ushuru Sacco has four types of resources that are used to achieve the desired objectives: financial resources, physical resources, human resources, and technological resources. Ushuru Sacco is the able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment on compliance with the strategy. This is done by including qualified people with skills, attitudes, capabilities, experiences and other characteristics required by a specific task or position.

The stages of strategy critical success factors at the Ushuru Sacco also include reliance on traditional merit increases to base pay as a way of rewarding strong employee performance. It has been noted that performance at the Sacco is based rewards have become virtually synonymous with incentives. Ushuru Sacco is rapidly developing group award programs aimed at rewarding team, department and even Sacco performance, or some combination of the three. Fierce competition for talent and candidates' expectations for some form of an incentive opportunity have placed organizations without some type of performance-based rewards at a distinct disadvantage in recruiting and retaining key employees. As a result, Ushuru Sacco has shifted the focus of their pay philosophies to include incentives. Some have also redefined their compensation strategies to allow for total cash compensation-base pay plus incentives that is higher than the average pay in a defined marketplace. Ushuru Sacco has set base salary at competitive levels and allows performance-based rewards programs to raise the total cash compensation levels even higher. The rationale is that higher compensation is justified because it will reflect superior performance driven by performance-based rewards payouts.

The respondents indicated that Ushuru Sacco assigns tasks to personnel and ensures its workforce works collaboratively to achieve a common goal. The goal is to avoid task overlap and workforce confusion, especially when it comes to laying a strong foundation for long-term productivity. Task overlap, a situation in which two or more employees perform the same task in different departments, costs Ushuru Sacco money. This creates confusion, inefficiencies and lack of accountability because no employee ultimately has a clear responsibility over who does what, where and when. Corporate managers at Ushuru Sacco formulate a strategy to meet various operating goals. They may do so to improve the Sacco's chances of prosperity, avoid brand dilution, outflank rivals and spur invested capital. This is all the cash that stakeholders such as shareholders, bondholders and other financiers have poured into the Sacco. A commercial outline is also central in the way the Sacco specifies and reaches its economic targets.

Ushuru Sacco design an adequate organizational structure and draw up an effective strategy to figure out the best way to enter the financial market, remain competitive in existing ones and allocate resources to promising initiatives along the way. Ushuru Sacco has a present a detailed cross-sector strategy to simultaneously tap into financial market and set sound policies to make sure rank-and-file personnel are on the same page.

4.5 Factors influencing the selection of strategy Evaluation and control practices

Interviewees were requested to indicate whether Ushuru Sacco had managed to implement all strategies for the last financial year as stipulated in the strategic plan. The response was they had and in some situation they had to review their strategy indicating in the implementation stage. It was also captured that the style /model of strategy operation employed at Ushuru Sacco is top-down/laissez-faire senior management style. It has several challenges which include unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development. All the above factors affect strategy operation and if they are not controlled then they will negatively affect the Sacco’s performance.

The respondents indicated that the government is the major constraint of response strategies adopted by Ushuru Sacco to cope with the environmental changes for example, change in power leads to a change of the management board. This is because the government has shareholding in the Sacco and therefore they tend to have the final say on the Sacco. In order to guard the Sacco from the frequent change of management board`s and for the welfare of its employees, the Sacco has a permanent vision, mission and core values that guides them since the Sacco have no power to dictate which management board will stays. The respondents established that this is the only way to protect Ushuru Sacco from the political changes happening in the country. However, the respondents also said that though the vision and mission are constant, the strategy to implement them may differ from management board; this is also a constraint to the Sacco.

The economic situation is determined by several factors but most of which are beyond the Sacco's control and according to the respondents the government needs to provide incentives since it is a major constraint. It was also revealed that for Ushuru Sacco to be able to achieve its mission it must continue to invest in order to be able to be successful and in this case the Sacco has borrowed loans to ensure that they continue with investments. The Sacco has also been unable to meet the demand and reliability. The respondents also established that economic changes generally tends to affect all sectors of the economy and hence the only way not to be effective is to make sure the Sacco has more sources of funds. It was also revealed that for the Sacco to shield itself from this factors it should also take advantage of the chances the economy gives especially growth.

The study found out that for any organisation to flourish it has to involve its people and for that to happen the Sacco have to empower them to understand and be on the same page in terms of strategy Evaluation and control practices**.** The respondents said that the mechanism used has been adopted since it has been proven by scholar that it works. These mechanisms have been adopted as the Sacco needs to beat their competitors and Ushuru Sacco is not the sole financial institution. However, it was also revealed that culture is very hard to change and time is a big constraint in this one as it takes a long time to change. For competitive advantage the Sacco needs to have a culture of private business but the biggest challenge is that culture is very difficult to change. Therefore, the only way to survive social/cultural change is to change with it; the need to succeed is the major influencing factor and to have a successful Sacco the respondents established that there have to be the right people with the right culture.

Technology is the only way to succeed; no Sacco succeeds without ICT, this was according to majority of the respondents. The global pressures to change with the trends are the major influencing factors to the Sacco. Ushuru Sacco is constricted by the public procurement act and this is the reason why they do technological changes after every one year. The respondents revealed that there is nothing Ushuru Sacco can do to change the public procurement act except to put on pressure to the government. The government is a major constraint in this as it makes the laws. The Sacco is also unable to effect technological changes due to cost cutting. The cost of running business is high and the Sacco have to beat competition as well and therefore Ushuru Sacco main aim is to earn more and gain back the market share it have lost.

4.6 Characteristics of strategy control outcomes at Ushuru Sacco

The interviewees indicated that empowerment as a strategy has to be implemented. To successfully implement a strategy, the deployment and control of the Sacco's strategic resources is needed to carry out action plans and hopefully achieve target milestones. The respondents offered a comprehensive perspective on what strategic control entails and stated that it is where the Sacco is concerned with shaping the behaviour in departments and divisions and with shaping the context within which managers are operating. This is done by having a clear understanding of how responsibility for strategy is divided between the Sacco operations and the business divisions and management have a clear understanding of the tasks which it undertakes, which includes: defining and shaping the overall strategy of the Sacco, especially through allocating resources to divisions and the control regime; enhancing innovation and Sacco learning; defining and controlling key policies; deciding the balance of activities and the roles of each division or department; and defining standards and assessing the performance of divisions and departments and intervening to improve the Sacco's performance.

The respondents cited administrative, social and self- control which they indicated that the correct control performance, which is in line with the Sacco's strategy must be allocated, and they identify three broad types of control: administrative control through systems, rules and procedures; social control through the impact of culture on the behaviour of individuals and groups; and self-control which people keep over their own behaviours. The respondents also indicated that protecting financial and other data was another control that maintains that one of the three key elements which the Sacco has achieved empowerment without losing control which is has significant controls and barriers that protect the main financial data of the Sacco from misuse. The interviewees highlighted strategic surveillance and special alert control. They stated that strategic uncertainties are a combined function of management's vision for the future and their evaluation of the contingencies that could negatively influence the Sacco's vision. Senior managers need sensing systems similar to weather-tracking systems, which enable them to stimulate opportunity-seeking, and encourage new strategic initiatives. They indicated that continuous search activities must be encouraged, and internal information networks created which report critical changes. This will help managers to participate in the decisions of subordinates and focus Sacco's attention and learning on key strategic issues.

The respondents finally argue that in order to prevent violations where the risk of error is high (for example, in banking operations), controls must be implemented to guard against improper conduct. Although an over reliance on rules may lead to indifferent performance, boundaries and controls, in combination with other techniques, they will serve a vital purpose. Thus, a balance between culture, rewards and boundaries must be established. Boundaries and constraints can help to keep the focus on an Sacco's priorities, providing a more targeted focus and better opportunity for competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

The study aimed at investigating the strategy evaluation and control at Ushuru savings and credit cooperative society limited.

The study found that successful strategy evaluation and control helped Ushuru Sacco gain a competitive edge, define the business of the organization, achieve right direction and having its various strategies entrenched and broadly accepted by all the employees guaranteeing successful strategy evaluation and control in the future. Ushuru Sacco is able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment during strategy evaluation and control.

The study also found that the importance of management ability, or competence, in achieving successful strategy evaluation and control is top management's strategic choices tends to be successful, it reflects favorably on choices made in other parts of the organization. The collective intentions must be realized with little unanticipated influence from outside political, technological and market forces. Those involved in strategy evaluation and control process in the organisation are senior managers, middle level managers and top management and all employees. Role of communication in the process of strategy evaluation and control at Ushuru

Sacco is acting as an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented. The management ensures compliance and success of a strategy such as, education programs, delegation of duties and they also engage consultants. The management continue to develop the skills and expertise of the information access team to ensure high quality, timely and consistent responses to information requests. Impact of human resource development on effective strategy evaluation and control at the Sacco is creating and sharing goal, acting as a role model, encouraging creativeness and providing support for employees.

The study further found that the effect of involvement of firm's members in the strategy process is successful strategy evaluation and control and good performance of the Sacco. Initiatives taken by management in creating and sustaining a climate within the firm that motivates employees in their evaluation and control role with the organization and their managers paying as much attention to planning the evaluation and control of their strategies as they give to formulating them. The requirements for a successful strategy evaluation and control at the Ushuru Sacco are budgetary, human resource, and institutional, and procedural implications of implementing the strategy. The style /model of strategy evaluation and control employed at Ushuru Sacco. The strategy evaluation and control practices employed by Ushuru Sacco are understanding customer expectation, marketing research and market segmentation. The other factors leading to strategy evaluation and control success at Ushuru Sacco are strong management roles in evaluation and control, good communication, commitment to the strategy, awareness or understanding of the strategy, aligned organizational systems and resources, good coordination and sharing of responsibilities, adequate capabilities, and controllable environmental factors.

5.3 Conclusions

The study concludes that strategy evaluation and control helped the Sacco gain a competitive edge, define the business of the Sacco and achieve the right direction. Ushuru Sacco is able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment during strategy evaluation and control process. The collective intentions must be realized with little unanticipated influence from outside political, technological, or market forces.

The study concludes that the Sacco followed the following steps in strategy implementation: SWOT, analyze the gap between internal (S&W's) and eternal (O&T's) forces/environment. Those involved in strategy implementation process in the organisation are senior managers, middle level managers and top management and all the other employees. The impact of human resource development on effective strategy implementation at the Sacco is creating and sharing the Sacco's goal, acting as a role model, encouraging creativeness, providing support for employees.

The study finally concludes that initiatives are taken by management in creating and sustaining a climate within the Sacco that motivates employees in their implementation role with managers paying as much attention to planning the implementation of their strategies as they give to formulating them. A top-down/laissez-faire senior management style is used. The strategy implementation practices employed by Ushuru Sacco are understanding customer expectation, marketing research and market segmentation. The other factors leading to strategy implementation success Ushuru Sacco are strong management roles in implementation, good communication, commitment to the strategy, awareness or understanding of the strategy, aligned

Sacco systems and resources, good coordination and sharing of responsibilities, adequate capabilities, and controllable environmental factors.

5.4 Recommendations for further research

Since this study adopted the interview method as the primary data collection method, the researcher suggests that a study be carried out using other methods of primary and secondary data collection to see whether there will be difference in the results. These methods could include use of questionnaires, focus groups, reports, publications or internet sources. This study was carried out in a Sacco from the financial sector. Future studies should be carried out in institution from other sectors for comparison purposes.

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APPENDICES

Appendix 1: interview guide

This interview guide has been developed to capture data on strategy evaluation and control at Ushuru sacco. The data obtained from this exercise will be used for a thesis in fulfillment of the requirements for the degree of Master of Business Administration, School of Business, University of Nairobi. You have been identified as integral player at Ushuu sacco. In this regard, you are kindly requested to participate in this interview by providing answers to enable the researcher fulfill the research objective.

SECTION A: BIO-DATA

A1: Name of Respondent (Optional)………………………………………………………….

A2: Job Title of Respondent …………………………………………………………………

A3: Department/Section ……………………………………………………………………

SECTION B: GENERAL

B1: Please, name the people involved in strategy formulation

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B2: What methods are used to obtain commitment to the society's strategy commitment

B3: What obstacles do you face in implementing the society's strategies?

B4:What measures did you use to ensure compliance with the strategy you were implementing

B5: Have you managed to implement all your strategies for the last financial year as stipulated in the strategic plan, and if yes has there been situations where you had to review your strategies?

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B6: In cases where you have reviewed your strategies, what prompted the review?

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B7: What processes do you use to evaluate the strategies implemented?

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