THE CHALLENGES IN THE IMPLEMENTATION OF THE 2005 PROCUREMENT ACT IN THE KENYAN MINISTRY OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY

BY

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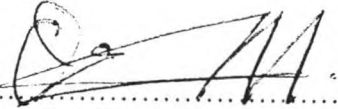
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DECLARATION

This Research Project is my original work and has not been submitted for award of a degree at the University of Nairobi or any other University.

Signed .... Date ...19/11/2008...

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This Research Project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

This study is dedicated to my beloved wife and children whose support was insurmountable and who missed out precious family time when I was undertaking the study.

ACKNOWLEDGEMENT

I owe my supervisor Dr. Martin Ogutu special gratitude for her guidance throughout the study. Thanks for your encouragement and support; without you the study would have been an exercise in futility. Special thanks to my friends particularly Mr. Atina and MBA colleagues for words and acts of encouragement throughout the postgraduate program.

ABSTRACT

The objective of the study was to establish the challenges facing the Ministry of Higher Education, Science and Technology (Kenya) in the implementation of the Procurement and Disposal Act (2005). The study was a case study of the Ministry and an interview guide was developed and administered by the researcher to identified respondents within the Ministry. Data was obtained by personal interviews of committee members who were involved in the implementation of the Procurement and Disposal Act (2005) in the Ministry. Data was analyzed using content analysis.

It was established that members of staff have not been sensitized about the procurement and disposal Act (2005). Procurement procedures were bureaucratic. The main implementation challenges were identified as inadequate staff, resistance to change, poor communication, lack of staff training, and non allocation of resources for implementation of the Act. Further, it was noted that the Ministry lacks policy on implementation of new strategy. Other challenges to implementation of the procurement and disposal Act (2005) were lack of monitoring and evaluation; and weak teamwork within the Ministry. Benefits of implementation of procurement and disposal Act included higher procurement efficiency; transparency; improved quality and timely delivery of goods and services; and reduced tendering procedures.

Following these findings and their significance on implementation of the Act, it was recommended that;

a)   The Ministry needs to recruit adequate and qualified procurement professionals to fast track implementation of the Act.

b)   The Ministry needs to draw and implement a training programme for procurement staff and others involved in implementation of the Act.

c)   There is need to improve communication both within and outside the organisation by embracing information and communication technology (ICT). The Ministry needs to use Emails and Websites for purposes of communication.

d)   There is a need to match implementation with resource allocations. Consequently, it is advisable that the Ministry reallocates some financial resources to the procurement department to facilitate implementation of the Act.

e)   Future research need to investigate the influence of information and communication technology (ICT) on strategy implementation in the public sector.

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LIST OF ABBREVIATIONS AND ACRONYMS

CEO - Chief Executive Office

GOK - Government of Kenya

MOHEST - Ministry of Higher Education, Science and Technology

MRO - Maintenance Repair and Operating

R & D - Research and Development

S & T - Science and Technology

ST& I - Science, Technology and Innovation

SWOT - Strength Weakness Opportunity and Threats

TE - Technical Education

TIVET - Technical, Industrial, Vocational and Entrepreneurship Training

CHAPTER ONE: INTRODUCTION

1.1 Background to the study

For the first three-quarters of the 20th Century, strategy was not seen as difficult to formulate or difficult to execute. 1981 was the beginning of one of the most remarkable shifts in the history of business, the shift from value based in tangible assets to value based in intangible assets. The necessity to manage organizational paradox and change in general has been stressed by many analysts of organization (Clegg, et al., 2002; Hatch and Ehrlich, 1993; Martin and Meyerson, 1988; Meyerson and Martin, 1987; Quinn and Kimberley, 1984; Quinn and Cameron, 1988; Van de Ven and Poole, 1988).

There is a very weak relationship of strategy formulation to strategy execution. More specifically, the need to manage change in supply chain management has been highlighted by Snowden (2002) and by Jackson and Harris (2003) in an e-business setting. Even after the grand strategies have been determined and the long term objectives set, the strategic management process is far from complete (Pearce and Robinson, 1994). This move has given rise to three interrelated concerns identifying measurable mutually determined annual objectives developing specific functional strategies and communicating concise policies to guide decisions.

A number of recent drivers have spurred interest in finding ways of cutting costs in the corporate environment. Among them are the recessionary trend that saddled the US economy after 2001 (Attaran and Attaran, 2002), the resolve of firms to use internet-enabled technologies to achieve supply chain management efficiencies for competitive advantage with a specific focus on procurement (Presutti, 2003), and the passage of the US Sarbanes-Oxley Act in 2002, which requires organizations to improve their ability to report on revenues and expenses in order to provide greater transparency into the financial activities of public companies (Bushell, 2004). Although the implementation of procurement ACT initiatives is not all that new, there is current interest in understanding issues involved in its implementation, especially in developing countries.

1.1.1 Strategy Implementation Challenges

Strategy implementation skills are not easily mastered, unfortunately. In fact, virtually all managers find implementation the most difficult aspect of their jobs – more difficult than strategic analysis or strategy formulation. In 1968, Peter Drucker (1969) coined the phrase Age of Discontinuity to describe the way change forces disruptions into the continuity of our lives. Less than 10% of strategies effectively formulated are effectively executed. Companies large and small worldwide spend billions of dollars each year on strategy formulation. The ability to implement strategies is one of the most valuable of all managerial skills. Managers' intent on implementing strategy must, master systems thinking to be able to coordinate a broad range of efforts aimed at transforming intentions into action, and take care of the factors impeding strategy implementation.

Only one of ten companies that do an effective job of formulating strategy are doing equally effective jobs of implementing it. The rest, presumably, the well-crafted strategy is lost in the process of day-to-day tactical concerns or is left to languish in a report on the CEO's bookshelf. Yet very few people would deny that, in today's fast-moving fast-changing business world, strategy, with its long-range perspective, is critical. By analogy, if the guidance system on an airplane or ocean liner is not programmed to reach its destination, then it cannot keep the plane or ship on course in rough or stormy weather. For any company today, strategy provides, or should provide, that overall trip plan against which management can true up in difficult times (Butcher and Atkinson 2001).

There is a shift to a world where value is based in service, in selling solutions rather than in objects or hard assets. But why would this shift have had such an effect on strategy implementation? The answer is deceptively simple – the rules of management have changed. Management of a company whose value-creating mechanisms are based largely on intangibles is a whole different ballgame than when those mechanisms are based on tangible assets. Peter Drucker is said to have remarked that "if you can't measure it, you can't manage it." Yet the measurement of intangibles is, by its nature, a tricky business.

In today's business world, strategy implementation is inseparable from effective leadership and communication within the company. The value creation process, in our experience, follows these lines: formulation and effective communication of vision and

values: formulation and effective communication of mission: generation of enthusiasm and buy-in at all levels: commitment to projects and business results that will fulfill on the mission: design of organizational architecture that allows for empowerment and communication: creation of tactics and short-term goals at the local level: effective Action in a context of accountability (Butcher and Atkinson 2001, p. 56).

1.1.2 The Procurement and Disposal Act 2005

Most procurement ACTs are still in its early stages of adoption in the public service in many countries. Thus in an effort to link the implementation of strategy and the procurement ACT, strategic investment equally is as important as new buildings, coupled with the need to develop an alternative language of change from the bottom-up (Clegg, et al., 2002).

Procurement ACT stipulates the procedure of purchasing goods and services for public organizations. This Act may be cited as the Public Procurement and Disposal Act, 2005 and it came to full operation on Gazette notice in 2007 by the Minister of finance. The purpose of this Act is to establish procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment by public entities to achieve the following objectives: to maximize economy and efficiency; to promote competition and ensure that competitors are treated fairly; to promote the integrity and fairness of those procedures; to increase transparency and accountability in those procedures; to facilitate the promotion of local industry and economic development; and to increase public confidence in those procedures. This Act applies with respect to procurement by a public entity; contract management; supply chain management which includes inventory and distribution; and disposal by a public entity of stores and equipment that are unserviceable, obsolete or surplus (*The Public Procurement and Disposal Act, 2005*).

This act is used by all public entities which according to the Act covers the Government or any department of the Government; the courts; the commissions established under the Constitution; a local authority under the Local Government Act; a state corporation within the meaning of the State Corporations Act; the Central Bank of Kenya established under the Central Bank of Kenya Act; a co-operative society established under the Co-

operative Societies Act; a public school within the meaning of the Education Act; a public university within the meaning of the Universities Act; a college or other educational institution maintained or assisted out of public funds; or an entity prescribed as a public entity (*Public Procurement and Disposal Act, 2005).*

A number of bodies are involved in the regulation of public procurement. The Public Procurement Oversight Authority is hereby established as a body corporate all the powers necessary or expedient for the performance of its functions. The Authority has perpetual succession and a common seal and shall be capable of suing and being sued in its corporate name; and holding and alienating moveable and immovable property. The Authority has the following functions: to ensure that the procurement procedures established under this Act are complied with; to monitor the public procurement system and report on the overall functioning of it in accordance with section 20(3)(b) and present to the Minister such other reports and recommendations for improvements as the Director-General considers advisable.

The Public Procurement Oversight Advisory Board is hereby established as an unincorporated body. The functions of the Advisory Board are: to advise the Authority generally on the exercise of its powers and the performance of its functions; and to approve the estimates of the revenue and expenditures of the Authority (*The Public Procurement and Disposal Act, 2005*).

The Public Procurement Complaints, Review and Appeal Board established under the Exchequer and Audit (Public Procurement) Regulations, 2001 is continued under this Act as the Public Procurement Administrative Review Board (*The Public Procurement and Disposal Act, 2005*).

For the purpose of ensuring that its decisions are made in a systematic and structured way, a public entity shall establish procedures to provide for the making of decisions, on behalf of the public entity, relating to procurement. The procedures required under subsection shall be consistent with this Act and the regulations. A procuring entity may use restricted tendering or direct procurement as an alternative procurement procedure only if, before using that procedure, the procuring entity: obtains the written approval of

its tender committee; and records in writing the reasons for using the alternative procurement procedure. A procuring entity shall use such standard tender documents as may be prescribed. Public officials involved in transactions in which goods, services and works are procured at inflated prices shall, in addition to any other sanctions prescribed in this Act or the regulations, be required to pay the procuring entity for the loss resulting from their actions. Procuring entities may use creative approaches, such as a contractor designing a project and building it, in order to enhance efficiency of the procurement process and project implementation (*The Public Procurement and Disposal Act, 2005*).

1.1.3 The Ministry of Higher Education, Science and Technology (K)

The ministry of Higher Education, science and technology which was formally the ministry of science and technology, was formed at the president's decree in the month November 2005,immediately after the grand coalition government, the department of higher education was transferred to the ministry and became ministry of higher Education, science and technology (G.O.K Strategic plan, MOHEST, 2007).

The Government of Kenya recognizes Science and Technology (S&T) as vital to social and economic development of the country. Research and Development (R&D) has been applied in Kenya's economic and social development spanning from the colonial and the post colonial eras. Before independence, the Colonial Government developed a research infrastructure to serve the colonial economy. After independence, Kenya's national development goals and philosophy were elaborated in Sessional Paper No. 10 of 1965 on "African Socialism and its Application to Planning in Kenya". The paper identified poverty, illiteracy and disease as the main challenges facing the country by then. It highlighted the need for considerable science and technology inputs (G.O.K Strategic plan, MOHEST, 2007).

The Government established the Ministry of Science and Technology in December 2005. The role of the Ministry is to contribute to the improvement of the social and economic status of Kenyans through a coordinated and harmonized integration of ST&I and TE into the national development processes. Since its establishment, the Ministry has put in place a framework for implementing its mandate over the next five years. The Ministry has also made notable attempts to plan for integration of ST&I into technical and vocational

education programmes, implementation of ST&I and TE policies and programmes that had been developed earlier on before its creation (G.O.K Strategic plan MOHEST, 2007).

The mandate of the Ministry is to promote and facilitate the integration of Science and Technology into the policy, planning and the national development processes. The specific mandate of the Ministry includes the following: Development, Promotion and Implementation of National Research, Science, Technology and Innovation Policy and Strategies. Authorization, Coordination, Inventory and Dissemination of Research. Development, promotion and implementation of TIVET Policy and Strategy. Establishment, Accreditation, Quality Assurance and Supervision of TIVET Institutions The core functions of the Ministry revolve around its mandate to ensure that the institution achieves its vision and mission. The core functions may change slightly over time depending on changes in Government functions (G.O.K Strategic plan, MOHEST, 2007).

However, the activities to be implemented by the Ministry are derived from these functions. The specific core functions include: Formulate, review and coordinate national science, technology and innovation policies and strategies; Formulate, review and coordinate technical education policies and strategies; and Manage and promote ST&I and TE activities in the country, determine priorities for scientific, technological and technical education activities in Kenya, promote, popularize and coordinate research, science, technology and technical education programmes (G.O.K Strategic plan MOHEST, 2007).

Based on the SWOT analysis, the ministry's strengths include: existence of the Ministry of Science and Technology provides the necessary administrative and Policy decision making institutional network focusing on ST&I and TE issues; existence of large and strong base of ST&I and TE; Existence of a core qualified and experienced staff in the Ministry; existence of legal and regulatory frameworks; established history and experience of providing ST&I and TE advice/services within the Ministry's departments; Existing areas of competitive advantage in ST&I advisory, coordination and promotion; existing international goodwill; strategic location of the ministry's facilities in various parts of Kenya (G.O.K Strategic plan MOHEST, 2007).

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The ministry's weaknesses include: inadequate human, infrastructural and financial capacities for ST&I and TE; inadequate unresponsive structures and weak coordination systems for ST&I and TE; non comprehensive legal framework, weak basis for formulation and effective implementation of ST&I policies and regulations; inefficient mechanisms for Quality Assurance, Monitoring and Evaluation; non-competitive terms and conditions of service for ST&I and TE personnel; outdated S&T Act; weak collaboration and linkages with key stakeholders including the private sector for ST&I and TE; inadequate innovations that translate to commercializable, competitive ST&I and TE products (G.O.K Strategic plan MOHEST, 2007)

The ministry's opportunities include: political and development partner goodwill to advance ST&I and TE; the existence of policies for nation development through ST&I and TE related activities; increasing need to mainstream ST&I and TE into national planning and development; d) Existence of new, emerging and untapped areas of ST&I and TE; existence of potential for regional and international collaboration and cooperation in ST&I and TE; availability of skilled human resources and increasing market demand for ST&I and TE products and services; public sector reforms aimed at performance improvement; expanding markets for indigenous and value added ST&I products and opportunities for regional and international exports; availability of ST&I and TE technology and mechanisms for their transfer; existence of IPR system; ICT development; a growing economy demanding the application of ST&I in key sectoral areas; a youthful population with the potential of adopting a ST&I culture; and rapidly growing SMEs (G.O.K Strategic plan MOHEST, 2007)

The ministry's threats include: migration of staff to greener pastures due to non-competitive terms and conditions of service for ST&I and TE personnel; high cost of ST&I and TE activities including equipment, training materials and text books; inadequate awareness and appreciation of the importance of S&T and TIVET in national development; inhibitions in recognizing the contribution of ST&I and TE in livelihoods and national development; low prioritization of ST&I and TE activities in the planning and budgetary processes, and investment in ST&I below threshold level; disparities created by the digital divide Digital between Kenya and developed countries on the other

one hand and local communities and modern/urbanized society on the other; poor mechanisms for transfer of ST&I and TE information to end users; and lastly rapid developmental changes in ST&I rendering existing technology obsolete (G.O.K Strategic plan MOHEST, 2007)

The Ministry of Science and Technology has positioned itself to lead the country into a knowledge-based society in the 21st Century. This comes at a time when the country is recovering from a long period of poor economic performance. Kenya today requires accelerating her usage of specialized knowledge, information, and innovativeness to support and expand her economy. Technology and Innovation (STI) has been recognized as the driver of the world's economic prosperity, social development and provide tools and solutions to address global challenges.

The Ministry of Higher Education Science and Technology poised to provide; the human resource requirements for rapidly changing and more diverse economy, high quality, relevant and demand driven higher education, improved overall transition rates through expansion of admissions to institutions of higher learning and create a cohesive and knowledge-based society. In 1997 the Science and Technology Act Cap 250 of Laws of Kenya was enacted as a mechanism for co-ordination and promotion of Science and Technology activities and in 2005, the Ministry of Science and Technology was established. To achieve this, one of the service sectors which contributes to its attainment is the Procurement practices in terms of quality and cost saving.

1.2 Statement of the Problem

Implementing strategies successfully is vital for any organization, either public or private. Without implementation, even the most superior strategy is useless. The notion of strategy implementation might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure. However, transforming strategies into action is a far more complex and difficult task (Arieu, 2007).

Mintzberg (1978), as discussed, drew the attention to the fact that not all elements of a firm's strategies will be realized. Some elements may not prove to be feasible and other outcomes may be influenced by unanticipated surprise issues. However some elements may not be carried out effectively because of either a lack of resource or because of resistance by those expected to implement them. The implementation of the selected strategies and the change in the other which may be required, need to be managed. The problem is also affected in part by the extent to which people have been involved in the formulation and selection of strategies.

Colossal sums of public funds go towards procurement of goods and services to facilitate continued provision of service to the public (Odhiambo and Kamau 2003). The processes and procedures involved in carrying out procurement activities not only opens windows for fraudulent activities but also exposes the ministry and the government institutions to huge losses arising from dubious deals that the merchants, the procurement officers and other departments enter into for personal gains and returns. Based on this background, the Public Procurement processes are vulnerable to corruption, fraud and financial mismanagement (Economic Survey, 2006). The perpetrators of these fraudulent activities are perceived to be powerful people in Government, senior Civil Servants working in concert with the Procurement Officer and influential businessman.

There are many issues both the internal and external (situation analysis) which affect the Ministry of Higher Education, Science and Technology (MOHEST) (Kenya). This include: capacity Building; collaboration and linkages; policy and regulation; investment in ST&I and TE; competitiveness; recognition of ST&I & TE; and governance Systems

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and Coordination. The Public Procurement and Disposal Act 2005 has become a very big challenge to integrate to the above strategic issues. It is evident that notwithstanding the enactment of the Procurement and Disposal Act 2005 the ministry is yet to realize the impact. This study intends to establish the change management challenges facing the MOHEST (Kenya) in the implementation of the Procurement Act (2005).

A number of studies have been done with respect to challenges encountered in strategic change management. Procurement usually represents one of the largest expense items in a firm's cost structure (Lennon, 2002). The Aberdeen Group (2001) found that the indirect procurement or the purchase of maintenance, repair, and operations (MRO) goods not directly involved in the production process such as office supplies, personal computers and non- manufacturing items (Laudon and Traver, 2004) usually constitutes 30-60 percent of a firm's total expenditures (Orr, 2002). Moreover, corporate buyers tend to waste time on non-value adding activities such as data entry, correcting errors in paperwork, expediting delivery, or solving quality problems (Turban et al., 2006).

Butcher and Atkinson (2001) in their study established that the rhetoric of top-down change is limited and self-defeating because it offers an "impoverished" and "isolationist" rendering of the processes of change; a world where one group of people visit change upon other subordinate groupings who have change done to them.

Although a number of studies have been done with respect to strategic change management challenges, none has been done in the Kenyan context of the Ministry of Higher Education, Science and Technology (Kenya). This study will focus on the embedded assumptions/challenges associated with a top-down, managerialist approach to change, which relies on a rational, hierarchical paradigm of organization. Thus this study seeks to establish the challenges facing the ministry of higher education, science and technology (Kenya) in the implementation of the Procurement and Disposal Act (2005). This study seeks to bridge the existing knowledge gap by finding responses to the following research question: What are the challenges facing the Ministry of Higher Education, Science and Technology (Kenya) in the implementation of the Procurement and Disposal Act (2005)?

1.3 Objectives of the Study

The objective of this study is to establish the challenges facing the Ministry of Higher Education, Science and Technology (Kenya) in the implementation of the Procurement and Disposal Act (2005).

1.4 Significance of the Study

Findings from this study will benefit the following groups:

i.   The Ministry of Higher Education, Science and Technology and other stake holders.

The findings of this study will help the MOHEST (Kenya) and other decision – makers with an insight into the benefits of best practice strategic change management techniques in supply chain management. The study intends to establish the challenges facing the MOHEST in the implementation of the Procurement Act (2005).From this study, it is envisaged that stakeholders in the public procurement process will benefit in understanding the intricacies and challenges affecting the public procurement practices especially in the ministry of Higher Education Science and Technology.

The ministry of finance, hitherto the custodian of public funds is able to appreciate the possible causes of the continued procurement malpractices in the public sector .Equally the ministry of higher education science and technology in streamlining her procurement process base on the findings of the study.

ii.   Academics / researchers

Findings from this research will assist academicians in broadening of their syllabus with respect best practice strategic change management techniques in supply chain management hence providing a deeper understanding. The findings may as well attract other researchers to venture into the best practice strategic change management techniques in supply chain management that have not been studied in the African context.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management, therefore, combines the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is possible to mention the "strategic consistency." According to Arieu (2007), "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context."

"Strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [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).

2.2 Strategy Implementation

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1991) suggests several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends. Furthermore, there are only a limited number of conceptual models of strategy implementation.

Organizations seem to have difficulties in implementing their strategies, however researchers have revealed a number of problems in strategy implementation: e.g. weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Alexander, 1991; Giles, 1991; Galpin, 1998; Lares-Mankki, 1994; Beer and Eisenstat, 2000).

In strategy textbooks, implementation has usually been regarded as being distinct from strategy formulation and as a matter of adjustment of organizational structures and systems (Galbraith, 1980; Hrebiniak and Joyce, 1984; Higgins, 1985; Thompson and Strickland, 1987; Pearce and Robinson, 1994). It seems that this approach is limited, and a number of new perspectives to this problematic phenomenon have emerged.

Pettigrew's (1987) framework for strategic change also sheds some light on the analysis of strategy implementation. Pettigrew distinguishes the content of the strategy, the outer and inner contexts of an organization, and the process in which strategic change is carried out. Pettigrew contends that the content, the context and the process are intertwined and affect one another. This has an important impact on strategy implementation research. In order to understand implementation, which is close to the process in Pettigrew's model, also the content of strategy and the context in which it takes place must be understood.
Another issue influencing the study of strategy implementation is the perspective one has on strategy. Is strategy first formulated and then implemented, or vice versa? If one believes that strategies are explicit (Mintzberg, 1978), implementation means carrying out the pre-determined strategic plans. If on the other hand, one holds an emergent view on strategy, one does not believe that strategy is first created and then implemented, but that strategy emerges and evolves without interventions by the strategic planners, or in spite of them (Mintzberg, 1978).

The reality is that some strategies are planned and some strategies just emerge from the actions and decisions of organizational members. The planned strategy and realizing, or emergent, strategy evolve hand-in-hand and affect each other in the process of strategy

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implementation, where strategies are communicated, interpreted, adopted and enacted (Noble, 1999).

The successfully strategy implementation is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. The components of strategy implementation – communication, interpretation, adoption and action – are not necessarily successive and they cannot be detached from one another. If this interaction is successful, the organizational vision may be achieved. When doing research from this view, the scope needs to be broad to grasp both the planning of the strategies and the real work practices through which the strategies come true (Beer, 2000).

In measuring the effectiveness of the organizational strategy, it's extremely important to conduct a SWOT analysis to figure out the strengths, weaknesses, opportunities and threats (both internal and external) of the entity in question. This may require to take certain precautionary measures or even to change the entire strategy, in corporate strategy. (Beer, 2000

2.3 Factors in Strategy Implementation

A well-developed service strategy does not automatically mean well implemented (Al-Ghamdi, 1998). Strategic management gradually is shifting from paying 90 per cent attention to strategy formulation and 10 per cent to strategy implementation, to paying equal attention to both (Grundy, 1998). Traditionally, it is believed that strategy implementation and execution is less glamorous than strategy formulation, and that anyone can implement and execute a well-formulated service strategy. Therefore, implementation and execution has attracted much less attention than strategy formulation or strategic planning (Alexander, 1991; Bigler, 2001).

Kumar et al. (2004), underline that ". . . the role of supporting services needed to exploit product's function to an agreeable performance is becoming increasingly important". Industrial service contracts need to be negotiated carefully to avoid disagreement and inadequate performance. Companies are becoming progressively more dependent on service providers to deliver performance at a competitive level according to stakeholders and market demands. However, to be able to achieve this the service delivery process need to be carefully defined, negotiated, and agreed upon considering involved parties'

needs, wants and preferences. Moreover, a service strategy need to be defined on how to implement and thereafter execute the agreed on service strategy. One needs to assure that there is no force that can influence the process in such a way that it threatens to become critical and/or a stopper (Grundy, 1998).

This demands a different business approach for both operator and service companies. Effective and efficient service strategies are needed where major influence and performance factors are considered, as well as customers' demands and requirements and providers' expertise and competence (Kumar and Markeset, 2005). In other words, a prudent organization needs to formulate a service strategy that is "appropriate for the organization, appropriate for the industry, and appropriate for the situation" (Alexander, 1991). He further emphasizes that effective strategy implementation and execution relies on maintaining a balance between preventing failures and promoting success simultaneously. When there is a proper alignment between strategy, administrative mechanisms and organizational capabilities, it will be easier to implement and execute the strategy and to achieve the desired objectives (Okumus, 2003).

Organizations face difficulties while implementing and executing their strategies for different reasons. There is uncertainty about what these processes include and where they begin and end. Such uncertainty includes weak management roles in implementation, a lack of knowledge and communication to guide their actions, unawareness or misunderstanding of the strategy, poor coordination, inadequate capabilities, competing activities within the working team, unfortunate marketing timing, uncontrollable environmental factors, misaligned operation and insufficient monitoring and evaluation of the process (Alexander, 1985; Gilmore, 1997; Okumus, 2003).

Hrebiniak (1992) proposed a conceptual framework to implement strategies in global firms. He incorporated earlier work carried out by himself and Joyce in (Hrebiniak and Joyce, 1984), and suggested the following new specific implementation factors: leadership; facilitating global learning; developing global managers; having a matrix structure; and working with external companies. Another framework, consisting of four factors, was proposed by Yip (1992): organizational structure; culture; people; and managerial processes. Yip argued that these four factors and their individual elements

determine the crucial organizational forces that affect a company's ability to formulate and implement strategies. Bryson and Bromiley (1993) reported the results of a quantitative cross-sectional analysis of 68 case descriptions of major projects in public companies. These researchers identified several factors and grouped them into three categories; namely: context; process; and outcome.

There are important similarities between the previous frameworks in terms of the key factors forwarded and the assumptions made. For example, they generally refer to, and suggest, similar implementation factors. The overriding assumption of these frameworks is that multiple factors should be considered simultaneously when developing and implementing a strategy or strategic decision. The service strategy implementation and execution process is complicated, but is important for the organization to compete in the market. There are several factors that need to be considered and continuously monitored to keep the implementation and execution process updated. These are discussed as follows.

2.3.1 Structures and Systems Aligned with Strategy

Organizational structure was regarded as only slightly problematical in Alexander's (1985). It seems that the lessons of traditional writings on strategy and structure (Porter, 1980; Galbraith, 1980) have been learned, and the contemporary challenges for implementation lie in the communication and cultural aspects of organizations.

To realize the objectives and to create maximum value for involved parties, the service strategy needs to be implemented and executed appropriately. Moreover, to achieve customer satisfaction and to create a win-win situation in the market, gaps between required and delivered services need to be avoided (Kumar and Kumar, 2004). Thus, a service implementation and execution framework that responds to the requirements of all involved parties is needed. Hiles (1994) asserts, "Whatever, service targets are set, they must be stretching but achievable. Under-promise and over-achieve" seems to be the motto of successful implementers (Manarro-Viseras et al., 2005).

The service strategy developers, implementers and executors should clearly understand the process requirements and preferences. Based on this, they should be able to predict obstacles and prepare for possible solutions before the strategy is implemented and executed. Moreover, it is necessary to monitor what is actually happening to analyze how to deal with emerging problems, to seek solutions and to decide what modifications might be needed. When developing a contract implementation and execution model, implementer and executor attempt to consider all possible influencing and performance factors and to predict what services will be needed (Manarro-Viseras et al. 2005).

Linking organizational goal-setting systems to strategy is essential. Moreover, identification of those work-related objectives that the personnel members have created for themselves is called for. These objectives are often those that really influence the decisions made in every-day work.

An interesting finding of this study was the perceived importance of compensation systems. Alexander (1985) found that compensation systems were not hindering strategy implementation. What also supports strategy implementation is an explicit, well-known representation of the strategy process, which in many organizations takes the shape of an annual planning process. This process should be described in an informative and comprehensive style: Where does the process start, where does it end? Is there a customer for the process? Which are the main phases in the process? Who participates in the process and in what kind of a role? What is the product of the process? What is the schedule of the process?

Strategic routines, such as the planning processes should also be linked with the goal-setting practices of the organization, e.g. goal-setting discussions. Strategic action can be cultivated by linking individual goals to strategic goals in goal-setting discussions between superiors and subordinates (Beer, 2000).

2.3.2 Strategic Communication and Acting

Excellent communications and transparency between involved parties, as well as clearly defined performance factors, play a vital role to create trust in the implementation and execution phase. Well-aligned communication and relationships are the foundation for trust- building between involved parties throughout the implementation and execution process. To become a successful strategy implementer and executor, the top management personnel should clearly communicate, "What the new strategic decision is all about" with involved parties and with operative personnel (Alexander, 1985).

Any delay caused through poor communication or coordination could create conflict between parties and have an impact on business and relationships. Responsibilities and duties need to be clearly explained to reduce uncertainty, speculation and unfounded fears. The goal is to minimize the gap between required and delivered services, and to assure continuous excellent production assurance. Alexander (1985) found that compensation systems were not hindering strategy implementation, while other studies have perceived it as being among the most problematical issues.

The importance of two-way communication with all employees, which has been suggested earlier (Alexander, 1985) as improving strategy implementation. Understanding the strategy, however, requires a possibility of commenting, querying or questioning it. This can be achieved by continuous two-way communication with feedback and reacting to bottom-up messages. For strategic change to happen, there must be a defined kind of change which is desired. It should be clear whether the members of the organization are expected to simply follow a set of rules or think strategically in different situations (Mintzberg, 1994). This should be comprehensibly communicated in the organization, so that each individual member of the organization will understand why he/she should act differently and what should be done differently.

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2.3.3 Strategic Actors

A central question for discussion is: Who are the strategists? The traditional viewpoint suggests that those who do strategic planning are the key actors. But what if strategy is something that is not planned but emerges in the organization? From this viewpoint, the strategists can be found on other levels of the organization as well. Middle management has a pivotal role in strategy communication, for instance, in filtering strategic messages. Middle managers require adequate communication skills and also motivation in order to succeed in their communicative role.

For strategic actors to succeed in their roles, they must first become conscious of their role. Therefore, managers need to encourage different actors to consider their role in strategy implementation. Furthermore, roles that have been regarded as minor, e.g. bottom-up strategic communication, must be recognized. By encouraging personnel to develop their abilities to participate in the strategy process, strategic capabilities can be developed.

To ensure that a chosen strategy is effective as well as efficient, one needs to be aware of the related strategic and operational issues, challenges and opportunities that arise at various stages of the implementation and execution process as well as need to be flexible enough to adapt to changes to compete in the market. Services are based on relationships, finding solutions to customers' problems, and building relationships. The services' content is delivered in processes and driven by people (Manarro-Viseras et al. 2005).

This demands a different focus on costs and production regularity as compared to production from a field in a plateau phase. A large production facility operator may not have the capacity and willingness to invest valuable competence and resources necessary to obtain the cost cutting and improvement of operational and production effectiveness and efficiency needed for a production facility in the tail-end phase (Manarro-Viseras et al., 2005).

However, the parties designed in contingencies to deal with the uncertainties through regular meetings, performance measures and contingency plans. Furthermore, the parties attempted to consider possible scenarios with respect to contract implementation and execution. It is advisable to consider services and scenarios that occur due to

unpredictable failures and unforeseen events (Kumar et al., 2004). During the implementation and execution process, one should monitor and reassess the performance to ensure that the cost drivers and performance killers are under control.

2.4 Challenges of Strategy Implementation

Strategy implementation involves the allocation and management of sufficient resources (financial, personnel, time, and technology support). a number of activities are involved, including: establishing a chain of command or some alternative structure (such as cross functional teams); assigning responsibility of specific tasks or processes to specific individuals or groups; it also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes.

The noteworthy statement , (Okumus and Roper, 1998, p. 218) captures the essence of the problem that strategy implementation suffers from a general lack of academic attention (Alexander, 1985; Edgar and Taylor, 1996; Noble, 1999; Aaltonen and Ika°valko, 2002; Otley, 2003). Indeed, Okumus and Roper (1998, p. 219) go on to observe that ". . . despite the importance of the strategic execution process, far more research has been carried out into strategy formulation rather than into strategy implementation . . . ", while Alexander concludes that literature is dominated by a focus on long range planning and strategy "content" rather than the actual implementation of strategies, on which ". . . little is written or researched . . . " (Alexander, 1985, p. 91).

Reasons put forward for this apparent dearth of research effort include that the field of strategy implementation is considered to be less "glamorous" as a subject area, and that researchers often underestimate the difficulties involved in investigating such a topic — especially as it is thought to be fundamentally lacking in conceptual models (Alexander, 1985; Goold, 1991; Aaltonen and Ika°valko, 2002). More "practical" problems associated with the process of strategy implementation, meanwhile, include communication

difficulties and "low" middle management skill levels (Alexander, 1985; Otley, 1999; Beer and Eisenstat, 2000).

Thus there would appear to be a significant "gap" in the knowledge base at a time when the commercial environment is exhibiting significant changes. The transformation from the industrial to the information age is signaled by increasingly sophisticated customers and management practices, escalating globalization, more prevalent and subtle product differentiation, and an emphasis on intellectual capital and enhanced employee empowerment (Johnson and Kaplan, 1987; Eccles, 1991; Kaplan and Norton, 1992; Hope and Hope, 1997; Huckstein and Duboff, 1999; Brander Brown and Atkinson, 2001). In this new world order successful strategy implementation becomes ever more important. Simultaneously, new performance measurement frameworks are evolving to fill the gap between operational budgeting and strategic planning. These new multidimensional performance measures have replaced the more tradition financial orientated metrics with non-financial measures that more effectively focus on the new managerial imperatives. According to Bungay and Goold (1991) these strategic controls (non-financial performance measures) provide short-term targets on the long-term strategic road.

Although the necessary link between the effective performance management systems (PMS) and strategy is well established (Butler et al., 1997; Kaplan and Norton, 1996; Neely et al., 1994), there are still relatively few studies focusing on the potential role of the scorecard in the process of strategy implementation. According to Alexander (1985), the most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the external environment had an adverse impact.

Based on empirical work with 93 firms he observed that senior executives were over optimistic in the planning phase and it is noteworthy that the first two issues which occurred most frequently in Alexander's study are planning issues. He also found the effectiveness of coordination of activities and distractions from competing activities inhibited implementation, in addition key tasks were not defined in enough detail. With regard to people, the capabilities of employees involved were often not sufficient,

leadership and direction and "training and instruction given to lower level employees were not adequate" (Alexander, 1985, p. 92). Although the least frequent in this study in many cases the information systems used to monitor implementation were not adequate.

Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting "it is possible for the planning intent of any resource redistribution to be ignored" (Reed and Buckley, 1988, p. 68). Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the "entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment" (Reed and Buckley, 1988, p. 68). Goal setting and controls are also recognised as problematic, identifying co-ordinated targets at various levels in the organisation is difficult and the need for control is heightened as uncertainty and change provide a volatile environment, a point supported by Tavakoli and Perks (2001).

Al Ghamdi (1998) replicated the work of Alexander (1985) in the UK and found for 92 percent of firms implementation took more time than originally expected, that major problems surfaced in 88 percent of companies, again showing planning weaknesses. He found the effectiveness of coordination of activities as a problem in 75 percent and distractions from competing activities in 83 percent cases. In addition key tasks were not defined in enough detail and information systems were inadequate in 71 percent of respondents. What is interesting is that there is congruence between these findings, which implies that lessons have still not been learned; as Al Ghamdi states, "the drama still continues" (Al Ghamdi, 1998, p. 322).

More recent articles confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstat's (2000, p. 37)

". . . six silent killers of strategy implementation . . . " These 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 (Beer and Eisenstat, 2000). It is recognized that such change requires a shared vision and consensus (Beer et al., 1990) and "failures of strategy implementation are inevitable" if competence, coordination and commitment are lacking (Eisenstat, 1993). Corboy and O'Corrbui (1999, p. 29), meanwhile, identify the ". . . deadly sins of strategy implementation" which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; unclear individual responsibilities in the change process; difficulties and obstacles not acknowledged, recognised or acted upon; and ignoring the day-to-day business imperatives. Overall though, it is increasingly acknowledged that the traditionally recognised problems of inappropriate organisational structure and lack of top management backing are not the main inhibiting factors to effective strategy implementation (Aaltonen and Ika°valko, 2002).

Rather, the major challenges to be overcome appear to be more cultural and behavioural in nature, including the impact of poor communication and diminished feelings of ownership and commitment (Alexander, 1985; Giles, 1991; Corboy and O'Corrbui, 1999; Aaltonen and Ika°valko, 2002; Franco and Bourne, 2003). Aaltonen and Ika°valko recognise the role of middle managers, arguing they are the "key actors" "who have a pivotal role in strategic communication" (Aaltonen and Ika°valko, 2002, p. 417) meanwhile Bartlett and Goshal (1996) talk about middle managers as threatened silent resistors whose role needs to change more towards that of a "coach", building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes.

In addition to the above, another inhibitor to successful strategy implementation that has been receiving a considerable amount of attention is the impact of an organisation's existing management controls (Langfield-Smith, 1997) and particularly its budgeting systems (Reed and Buckley, 1988; Otley, 2001; Marginson, 2002).

So far in this review of literature on strategy implementation there is evidence of some recurring themes, including communication and coordination which are essential to ensure that people across the organization know what to do and to ensure that they stay focused on the key targets under the everyday pressures.

2.5 Effective Strategy Implementation

Strategy implementation is an enigma in many companies. The problem is illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies. The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. This article discusses how a successful implementation is a challenge that demands patience, stamina and energy from the involved managers. The key to success is an integrative view of the implementation process. With the help of a checklist the ten critical success factors of an implementation process are figured out. Strategy implementation differs completely from the formulation process and requires much more discipline, planning, motivation and controlling processes. The fatal problem with strategy implementation is the de facto success rate of intended strategies. In research studies it is as low at 10 percent (Judson, 1991).

Despite this abysmal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Instead, management spends most of its attention on strategy formulation. This can be documented by the focus on strategy formulation in strategic management literature. To resolve this, strategic management should accomplish its very own shift of emphasis by moving from a 90:10 concern with strategy formulation relative to implementation to a minimum 50:50 proportion with each (Grundy, 1998).

To overcome and improve the difficulties in the implementation context, the following checklist of ten critical points gives direction on the effectiveness of strategy implementation.

2.5.1 Commitment of top management

The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategy implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Grundy, 1998).

To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Grundy, 1998).

2.5.2 Involve middle manager's valuable knowledge

The second most important thing to understand is that strategy implementation is not a top-down-approach. The success of any implementation effort depends on the level of involvement of middle managers. To generate the required acceptance for the implementation as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process.

Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth, targeted and accepted strategy implementation process increases substantially.

Research studies indicate that less than 5 percent of a typical workforce understands their organization's strategy (Kaplan and Norton, 2001). This is a disturbing statistic as it is

generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to a strategy implementation.

To involve employees is an important milestone to make strategy everyone's everyday job. That is why the involvement of middle managers is essential to increase the general awareness of the strategy. The involvement of middle managers helps build consensus for the strategy. A lack in strategic consensus can limit a company's ability to concentrate its efforts on achieving a unified set of goals.

2.5.3 Communication is what implementation is all about

At first look, the suggestion that communication aspects should be emphasized in the implementation process seems to be a very simple one. Even though studies point out that communication is a key success factor within strategy implementation (Miniace and Falter, 1996), communicating with employees concerning issues related to the strategy implementation is frequently delayed until the changes have already crystallized.

In this context, it is recommendable an organization institute a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to soliciting questions and feedback, the communications should tell employees about the new requirements, tasks and activities to be performed by the affected employees, and, furthermore, cover the reason ("the why") behind changed circumstances (Alexander, 1985).

It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. However, one may not misunderstand communication, or the sharing of information, as engagement the direct dialogue that produces active participants in the change process. The way in which a change is presented to employees is of great influence to their acceptance of it.

To deal with this critical situation, an integrated communications plan must be developed. Such a plan is an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented. A communications plan will provide the

appropriate information to market the implementation effectively in order to create and maintain acceptance (Grundy, 1998).

2.5.4 Integrative point of view

Traditional strategy implementation concepts generally over-emphasize the structural aspects and reduce the whole effort down to an organizational exercise. It is dangerous, however, when implementing a new strategy, to ignore the other existing components. Strategy implementation requires an integrative point of view. Not only the organizational structure, but cultural aspects and the human resources perspective are to be considered as well. An implementation effort is ideally a boundaryless set of activities and does not concentrate on implications of only one component, e.g. the organizational structure.

It is of great importance to integrate soft facts as well in the reflection of the implementation process. It is the consideration of soft and hard facts together that ascertains that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, such an integrative interpretation allows an important scope of development for implementation activities.

2.5.5 Clear assignment of responsibilities

One of the reasons why strategy implementation processes frequently result in difficult and complex problems – or even fail at all – is the vagueness of the assignment of responsibilities. In addition, these responsibilities are diffused through numerous organizational units (Grundy, 1998).

Cross-functional relations are representative of an implementation effort. This is indeed a challenge, because as already mentioned before organizational members tend to think only in their "own" department structures. This may be worsened by over-bureaucracy and can thus end up in a disaster for the whole implementation.

To avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities regarding detailed implementation activities. This is a preventive way of proceeding. Responsibilities are clear and potential problems are therefore avoided (Grundy, 1998).

2.5.6 Preventive measures against change barriers

Change is part of the daily life within an organization. The ability to manage change has shown to be a core competency for corporations. A great challenge within strategy implementation is to deal with potential barriers of the affected managers. Implementation efforts often fail when these barriers are underestimated and prevention methods are not adopted at the beginning. One has to be aware that barriers against the implementation of the strategy can lead to a complete breakdown of the formulated strategy. In psychology, much research is done about human barriers. The cause for these barriers is seen in affective and non-logical resistances, which are, in a way, incomprehensible because they come out of the subconscious of human beings (Grundy, 1998).

Barriers to implementing a strategy range from delay to outright rejection. However, this psychological point of view is often downplayed during discussions of implementation issues, even though it is becoming more and more obvious that strategy implementation consists, for the most part, of psychological aspects. By changing the way they view and practice strategy implementation, senior executives can effectively transform change barriers into gateways for a successful execution.

2.5.7 Emphasize teamwork activities

Teamwork plays an important role within the process of strategy implementation. When it comes down to implementation activities, however, it is often forgotten. It is indisputable, that teams can play an important part to promote the implementation. To build up effective teams within strategy implementation the Myers-Briggs typology can be useful to ascertain person-to-person differences. Differences in personality can result in serious inconsistencies in how strategies are understood and acted on. Recognizing different personality types and learning how to handle them effectively is a skill that can be taught (Grundy, 1998).

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2.5.8 Respect the individuals' different characters

Human resources represent a valuable intangible asset. Latest study research indicates that human resources are progressively becoming the key success factor within strategy implementation. In the past, one of the major reasons why strategy implementation efforts failed was that the human factor was conspicuously absent from strategic planning (Lorange, 1998). This leads to a dual demand. First, considerations regarding people have to be integrated into considerations about strategy implementation in general. Second, the individual behavior of these persons is to be taken into account. Individual personality differences often determine and influence implementation. The difference of individuals requires, as a consequence, different management styles. For the purpose of strategy implementation it is desirable to create a fit between the intended strategy and the specific personality profile of the implementation's key players in the different organizational departments.

2.5.9 Take advantage of supportive implementation instruments

To facilitate the implementation in general implementation instruments should be applied to support the processes adequately. Two implementation instruments are the balanced scorecard and supportive software solutions. The balanced scorecard is a popular and prevalent management system that considers financial as well as non-financial measures. It provides a functionality to translate a company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993). When it comes to meeting the criteria of a strategy implementation instrument, there is an excellent fit. The individual character of each balanced scorecard assures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the implementation process. It is a comprehensive management system, which can support the steering of the implementation process.

A strategic planning system cannot achieve its full potential until it is integrated with other control systems like budgets, information and reward systems. The balanced scorecard provides a framework to integrate the strategic planning and meets the requirements that the strategic planning system itself can display. In the context of implementing strategies, the application of software solutions seems to be neglected.

Recent experience has shown that IT-support is gaining more and more importance. Information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and most important provide an early warning of any need to adjust or reformulate the strategy (Kaplan and Norton, 1993).

Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operative environment of a company's day-to-day business. The strategy implementation perspective demands systems with different criteria than those of conventional systems. The supportive character in monitoring and tracking the implementation process should be in the center of interest. In the past, these activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be more than helpful to improve the quality of strategy implementation. In addition to that, a software solution is a starting point to define as mentioned above clear assignments of responsibilities throughout the organization's implementation processes.

2.5.10 Calculate buffer time for unexpected incidents

One of the most critical points within strategy implementation processes is the exceeding of time restrictions. This can be attributed to an underestimation on the part of many executives who do not have a clearly focused view on the complexities involved in implementing strategies and on the general process to deal with these multifaceted complexities.

Basically, it is difficult enough to identify the necessary steps of the implementation. It is even more difficult to estimate an appropriate time frame. One has to find out the time-intense activities and harmonize them with the time capacity. One method for accomplishing this is to work with the affected divisions and the responsible managers. In addition to calculating the probable time frame an extra buffer should be calculated to account for unexpected incidents that might occur at any time.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A case study design was adopted on the Ministry of Higher Education, Science and Technology (Kenya) aimed at establishing the challenges facing the Ministry in the implementation of the Procurement and Disposal Act (2005). A case study involves a careful and complete observation of a solid unit, a person, institution, family, cultural group, or an entire community and emphasizes depth rather than the breadth of a study (Kothari, 1990). It gives the researcher an insight into the objectives of the organization since it involves an in-depth examination of a single instance or event.

3.2 Data collection

Primary and secondary data was used in the study. The data was obtained through personal interviews of six respondents that were picked from the Ministerial tender committee, the procurement committee, inspection committee, disposal committee, the chief procurement officer and the principal internal Auditor. The data collection instrument was an interview guide. The committee members mentioned are involved in the implementation of the Procurement and Disposal Act 2005 in the Ministry. Secondary data was collected through desk research.

3.3 Data Analysis

The data was analyzed using content analysis. Mugenda and Mugenda (2003) points out that a researcher may be interested in studying an area which may not require quantifiable data. Examples are case studies, content analyses and historical studies. In this case the researcher is interested in analyzing information in a systematic way in order to come to some useful conclusions and recommendations. Cooper and Schindler (2003) point out that content analysis measures the semantic content or the 'what' aspect of the message. The researcher therefore obtained detailed information about the study and established various relationships from the information gathered.

CHAPTER FOUR: DATA ANALYSIS AND RESULTS

4.1 Introduction

A case study design was used to establish the challenges facing the Ministry of Higher Education, Science and Technology in the implementation of the Procurement and Disposal Act (2005). Targeted respondents included six respondents from the Ministerial tender committee, the procurement committee, inspection committee, disposal committee, the chief procurement officer and the principal internal Auditor. Out of the targeted respondents, data was received from the chief procurement officer; accountant; audit; planning; and administration. This represents a response rate of 83 per cent.

4.2 The implementation of the procurement Act 2005 in the Ministry of Higher Education, Science and Technology (Kenya)

Eighty per cent of respondents pointed that there is a Procurement and Disposal Act (2005) strategy consistent with the overall strategic direction of the Ministry. Each department within the Ministry is required to prepare a procurement plan for use by the Ministerial tender committee. Procurement activities are aligned to work plans that have been drawn from the objectives of strategic plan. It was argued that both the Act and the Ministry's overall strategy emphasize optimal utilization of resources. Divergent views emanated from identification of new initiatives in the Act. While 40 per cent of the respondents observed without justification that the new initiatives in the Act are clearly identifiable, another 40 per cent noted that the new initiatives are not clearly identifiable. This position was supported by the argument that the initiatives were not clearly identifiable especially in the procurement of services, consultation and definition of organizations. 20 per cent of the respondents took a middle ground by pointing that the new initiatives in the Act are fairly identifiable.

It was revealed that the management actively participates towards implementation of the procurement Act. However, concerns were raised that management should recruit professionals in procurement and provide clear guidance on price in addition to sensitizing relevant officers on procurement Act. Further, the management should ensure that committees set out carry out their mandate without delay; and reduce bureaucratic

procedures. Results suggest that management need to plan the procurement to avoid hasty decisions which cripple procurement procedures.

Eighty per cent of those interviewed indicated that changes and development brought about by the Act were appropriate to the market conditions. It creates an environment for fair competition, less price disparities and enhances market stability. Categorization of procuring entities into A, B and C caters for all sellers thereby eradicating discrimination.

Positive dimensions brought about by implementation of the Procurement and Disposal Act (2005) include accountability; collective responsibility; competitiveness; fair pricing; improved quality of goods and services; and prompt service delivery. Sixty percent of the respondents maintain that there are no changes in duties, roles and decision making brought about by the Act. On the contrary, forty per cent of the respondents observe that the Act has placed placed bigger responsibility on the user in the procurement process. The Act has also broadened the composition of procurement committees. Respondents argue that these changes have improved accountability. While some respondents were elusive about the perception of the permanent secretary towards the implementation of the Act; data indicated that the permanent secretary fully supports implementation of the Act. Further, he is of the opinion that procurement should be carried out in strict adherence to the Act and regulations.

4.3 The challenges in implementation of the procurement Act (2005) in the Ministry

Operational planning challenges in the implementation of procurement and disposal Act (2005) include delay caused by unavailability of non procurement staff, resistance to change by procurement staff and difficulty of finding right personnel. Forty per cent of the respondents indicated that implementation process of the procurement Act does not require resources because operational structures exist. On the other hand, sixty per cent of those interviewed were of the showed that implementation process require resources. However, it was noted that there are no specific funds allocated for implementation of the Act.

While 80 per cent of those interviewed pointed that there are no interference in the implementation of the Act, twenty percent of those interviewed indicated that there are

interference with the implementation of the Act. It was revealed that despite presence of professional staff at the procurement department, their number is insufficient and they are incapable of managing emerging implementation challenges. It was pointed that no training has been conducted to employees on the procurement Act. It was found that the Ministry does not have a policy on implementation of new strategies and strategies are implemented as they are developed. Other implementation challenges include bureaucracy, vested interests, inadequate specifications, inadequate storage facilities, and delays in processing of requirements by non procurement staff.

Communication system used in transmission of policies includes formulation of policies by specific committees which are then approved by the Minister. After approval, the permanent secretary conveys the policies to all heads of departments who in turn share information with members of staff within various departments. Communication channels used include internal memos, meetings, telephone, and seminars.

It was revealed that the management effects control by enforcing the civil service set procedures such as code of regulation, financial regulations and public ethics Act. However, feedback is generated through ad hoc meetings, staff meeting, written memos and suggestion boxes. It was noted that implementation of the procurement and disposal Act (2005) has resulted to higher efficiency in procurement; transparency; improved quality and faster delivery of goods and services.

It was established that with the enactment of the procurement Act, corrupt practices, fraudulent collusion and conflict of interest has reduced. Audit has become easier due to increased transparency. In addition, the Act has reduced frivolous requests and tendering procedures. On the other hand, it was noted that the involvement of many participants in the tendering process have reduced confidentiality.

Mitigation measures necessary to counter implementation challenges were cited as immediate sensitization of the staff on procurement and disposal Act (2005); training of officers; close monitoring and evaluation of implementation; and teamwork. Other mitigation measures suggested include individual accountability for decisions made.

CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section presents a summary of findings, discussions, conclusions and recommendations. Results have been discussed in line with the research objective stated earlier in Chapter one. The section concludes by suggesting measures aimed at reducing implementation challenges of the Act at the Ministry, and recommendations for future research.

5.2 Summary

The objective of the study was to establish the challenges facing the Ministry of Higher Education, Science and Technology (Kenya) in the implementation of the Procurement and Disposal Act (2005). The study was a case study of the Ministry and an interview guide was developed and administered by the researcher to identified respondents within the Ministry. Data was obtained by personal interviews of committee members who were involved in the implementation of the Procurement and Disposal Act (2005) in the Ministry. Data was analyzed using content analysis.

The study established that the Ministry has a strategic plan and procurement activities were aligned to the work plan. Results pointed majority of the staff were not well conversant with details in the Act and that the procurement department had inadequate professionals in procurement. It was established that members of staff have not been sensitized about the procurement and disposal Act (2005). Procurement procedures were bureaucratic. The main implementation challenges were identified as inadequate staff, resistance to change, poor communication, lack of staff training, and non allocation of resources for implementation of the Act. Further, it was noted that the Ministry lacks policy on implementation of new strategy.

Channels of communication were identified as memos, telephone, meetings and seminars. Benefits of implementation of procurement and disposal Act included higher procurement efficiency; transparency; improved quality and timely delivery of goods and services; and reduced tendering procedures. Mitigation measures to counter

implementation challenges were identified as sensitization of staff about the Act, training of officers, teamwork, and monitoring and evaluation of the implementation process.

5.3 Discussions

It was established that procurement activities are aligned to work plan. This suggests that the strategic planning is in place and the Ministry has a strategic plan. The Ministry has a mission statement, objectives, strategies and implementation framework entailing procurement activities. There were divergent views on the identification of new initiatives from the Act, a clear indication that most members were not well conversant with the details in the Act. This shows that either they have not read, or members of staff have different interpretation of various contents of the Act. In an environment characterized by people drawn from divergent backgrounds, it is expected to have people interpreting one thing differently.

Results showed that implementation of the Act were constrained by inadequate professionals and lack of training. Training and retraining are important aspects of implementation when an organization shifts to a strategy requiring different skills, managerial approaches, and operating methods. The shift to new procurement and disposal Act definitely requires that new tasks and challenges be matched with new skills. Training is also strategically important in organizational efforts to build skill – based competencies. In an environment such as procurement where technology changes so rapidly, training is important to have employees who are equipped with skills which keep them current on latest techniques. Training therefore should be effectively funded and training programme developed and implemented by the human resources department. Disconnect between human capacity and implementation of the new procurement Act as suggested by the results show that there is poor coordination between the human resources and procurement departments.

It was revealed that implementation of the procurement and disposal Act (2005) is frustrated by resistance to change. Resistance could be as a result of fear of the unknown especially where job losses are expected. The finding suggests that some members of staff within the Ministry have conservative mind sets are reluctant to embrace change. In

addition, implementation of the Act paralyses individual interests and gains through corrupt procurement procedures by certain individuals. This may force the affected individuals to resist or circumvent implementation of the Act. Bureaucratic procedures again, may complicate the implementation of the Act by entrenching resistance to change. Bureaucracies once established are difficult to destroy and prefer maintenance of the status quo to change. Bureaucracies, a common feature of Government of Kenya Ministries promotes impersonality displacement of objectives. Consequently, departmental managers promote their own self interest at the expense of the entire interest of the Ministry hence frustrating implementation of the new Act.

It was noted that the Ministry has not spared resources for implementation of the procurement and disposal Act. This raises the question of planning implying that there is lack of comprehensive planning leaving room for budgetary oversights. Getting an organization down the strategy implementation paths throws a manager squarely into the budget – making process. The procurement and other relevant units need enough resources to carry out their part of the strategy implementation process. This includes having enough of the right kinds of people and sufficient operating funds for them to do their work successfully. The procurement department needs to make a persuasive, documented case to planning department on what resources it will take to implement the Act. How well planners link budget allocation to the needs of implementation of the Act will either promote or impede the process. Too little funding slows progress and impedes the ability of the procurement department to execute their piece of implementation proficiently. On the other hand, too much funding wastes organizational resources and reduces financial performance. Departmental heads and planners must therefore be willing to shift resources from one area to another to support new initiatives and priorities.

The channels of communication used at the Ministry are traditional and may impede proper implementation of the Act. It was noted in literature review that communication is a major challenge of implementing strategy. Results suggest that the Ministry is not Information and Communication Technology (ICT) compliant. There is no adoption of modern communication techniques such as email and websites which are known to be

efficient and fast. Information technology plays an increasing role in strategy implementation at all levels of the organization. It makes it much easier for managers to cost effectively develop output and behavior controls that give departmental heads much more and better information to monitor the aspects of their strategies and to respond appropriately. Information technology is also a form of integrating mechanism because it provides people at all levels in the Ministry and across all departments with more of the information and knowledge they need to perform their roles effectively. In a world where business is increasingly transacted online, the Ministry can only gain by embracing online procurement and upgrading their information technology to match the changing demands of procurement.

Benefits of implementation of procurement Act were identified as higher efficiency in procurement; transparency; improved quality; timely delivery of goods and services and easier audit. The findings are in line with the objectives of the Act which include maximizing economy and efficiency; promotion of competition and fair treatment of competitors; promotion of integrity and fairness of procurement procedures; increased accountability and transparency; and increased public confidence in procurement procedures. On the other hand, results revealed that the Act has not stopped corruption in procurement procedures and has also watered down confidentiality. This suggests that there is weak enforcement of the provisions of the Act. In addition, it implies that people involved in procurement process have ways of circumventing the law. It can also be argued that punishment stipulated in the Act for corrupt practices are not extremely punitive thereby allowing room for the vice to thrive. Contrary to requirements of the Act, it emerged that there is possibility of disclosure of information relating to procurement. This waters down fairness in procurement process and impedes full implementation of the Act.

It was pointed that successful implementation of the Act requires close monitoring and control. As results showed, there was no monitoring and evaluation framework for implementation of the Act. There is need to develop performance measures monitoring tools which make improvements to operating procedures. In addition, it was indicated that team work is necessary to enable successful implementation of the Act. This implies

that departments are interdependent and one department can implement the Act in isolation of the others. This implies that implementation therefore, is the responsibility of all departments since each department has a role to play in the implementation process.

5.4 Conclusions

From the findings of the study, it can be concluded that there are a number of challenges towards the implementation of the procurement and disposal Act at the Ministry of Higher Education, Science and Technology. These challenges can be summarized as managerial and operational challenges. Managerial challenges include lack of resource allocation for implementation of the Act; inadequate qualified staff and lack of staff training; and failure to adopt modern information and communication technologies such as websites and email. Operational challenges however, include lack of monitoring and evaluation, teamwork, resistance to change, and individual accountability. There are many benefits emanating from implementation of the Act and these include higher procurement efficiencies; enhanced transparency; timely delivery and improved product and service quality.

5.5 Recommendations

The procurement and disposal Act (2005) faces a number of implementation challenges. Given the importance of implementation it is recommended that;

f) The Ministry needs to recruit adequate and qualified procurement professionals to fast track implementation of the Act.

g) Training is very important in building new skills which are required for implementation of a new strategy. The Ministry therefore, needs to draw a training programme for procurement staff and others involved in implementation of the Act. Further, funds need to be spared for training purposes.

h) There is need to improve communication both within and outside the company by embracing information and communication technology (ICT). The Ministry needs to use Emails and Websites for purposes of communication.

i)   There is a need to match implementation with resource allocations. A strategy can not be implemented without the requisite resources. Consequently, it is advisable that the Ministry reallocates some financial resources to the procurement department to facilitate implementation of the Act.

j)   Future research need to investigate the influence of information and communication technology (ICT) on strategy implementation in the public sector.

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APPENDICES:

APPENDIX I: LETTER OF INTRODUCTION

Dear Sir/Madam, --

RE: THE CHALLENGES IN THE IMPLEMENTATION OF THE PROCUREMENT ACT (2005) IN THE MINISTRY OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY (KENYA)

I am an MBA Candidate in the Department of Business Administration, School of Business, University of Nairobi. I am in my research year of my postgraduate studies focusing on **"The Challenges in the Implementation of the Procurement Act (2005) In the Ministry Of Higher Education, Science and Technology (Kenya)"**. The specific objective of the survey component of the research is will be to establish the challenges facing the Ministry of Higher Education, Science and Technology (Kenya) in the implementation of the Procurement and Disposal Act (2005).

Please be assured that this information is sought for research purposes only and your responses will be strictly confidential. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone.

All information will be used for academic purposes only. Please assist me in gathering enough information to present a representative finding on the current status of the challenges facing the Ministry of Higher Education, Science and Technology (Kenya) in the implementation of the Procurement and Disposal Act (2005). Your participation is entirely voluntary and the interview is completely confidential.
Thank you very much for helping with this important study.

Sincerely,

Obiero Makori Mobile: +254-7222-868779

APPENDIX II: INTERVIEW GUIDE.

SECTION A: RESPONDENT'S PROFILE

1. Name of the Department..

2 Designation ....

3 Number of years of service at the ministry...

4 What role do you play in the procurement process...

SECTION B: THE IMPLEMENTATION OF THE PROCUREMENT ACT (2005) IN THE MINISTRY

1. Is the Procurement and Disposal Act (2005) Strategy consistent with the overall strategic direction of the ministry? How does it compliment each other?

2. Are the new initiatives in the Act clearly identifiable?

3. Is the management actively participating towards implementation of this Procurement Act? What are some of the areas which the management need to assist for its success?

4. Explain how the changes and development in general is appropriate to the market conditions?

5. What are some of the positive dimensions, which have been brought about by the implementation of Procurement and Disposal Act of 2005 in the ministry of Higher Education, Science and technology?

6. Are there changes which have been brought about in duties, roles and decision- making? If any, what were some of the cultures and subcultures in the ministry?

7. What is the perception of the Permanent secretary in the implementation of the Procurement and Disposal Act?

SECTION C; THE CHALLENGES IN IMPLEMENTATION OF THE PROCUREMENT ACT (2005) IN THE MINISTRY

1. Explain the challenges encountered in operational planning in the implementation of Procurement and Disposal Act 2005?

2. Does the implementation process require resources? If yes, how as the resources been secured and allocated for this new strategy?

3. Are there interferences from any other angles in the implementation of the Procurement and Disposal Act?

4. In your own view what is the status of the personnel in the Ministry assigned the responsibility of implementing the Procurement Act?

5. Has Training been conducted to Employees on the Procurement Act? How effective was it?

6. Does the ministry have the policy on the implementation of new Strategies? What are the general practices?

7. Describe the communication system used in the ministry in the transmission of policies?

8. Explain how the management effects control and Feedback in the ministry?

9. What has the ministry realized from the implementation of the Procurement and Disposal Act 2005?

10. In your view, explain to what extent the following aspects have changed with the enactment of the procurement Act?

    - Influence on evaluating and participating in Procurement.
    - Corrupt practices, fraudulent, collusion and conflict of interest.
    - Confidentiality, Procurement records.
    - Inspection and audits relating to contracts.
    - Tendering procedures.
    - Modification to tender documents.
    - Dismissal of frivolous Request and right to judicial review to Procurement.

11. In your own opinion, what are some of mitigation measures that should be put in place to counter the challenges facing the ministry of

Higher Education, Science and technology in the implementation of Procurement and Disposal Act 2005?

12. Is there any comment you may wish to put across concerning the challenges, which are facing the ministry of Higher Education Science and Technology in the Implementation of Procurement and Disposal Act of 2005?

Thanks for taking your time off busy dealing to answer these questions.