STRATEGIC RESPONSES ADOPTED BY KENYA POWER TO IMPROVE PERFORMANCE

BY

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DECLARATION

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

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D61/79289/2012

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

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To my family and friends for their honest support and encouragement during the study- I salute you..., kindly accept my appreciation for your great support.

DEDICATION

I dedicate this project to my adorable loving family for their patience, encouragement, understanding and support throughout my study**.**

To my precious son Anthony Muiwa… I have set the pace for you with lots of love... Let the sky be the limit. Always remember…, you can archive anything and everything you desire in life. Put your mind into it and… Focus.

To my Mum and Dad... you taught me well and made me who I am today...I salute you.

To the Almighty God, thank you for bringing me this far... I could not have done it without you.

ABSTRACT

Most Parastatals in Kenya are forced to confront diverse challenges in their internal environment including rapid advances in information technology, the emergence of new organizational forms and globalization of many markets has necessitated the need to adapt to strategic responses to improve performance. To achieve the objective of this study, the researcher investigated the strategic responses adopted by Kenya power to improve performance. To realise the objective of this study, a case study was used. An interview guide was used for data collection purposes. The study used primary data since the nature of the data to be collected is qualitative in nature. Primary data was collected by interviewing five departmental heads at Kenya Power, these departments are namely: marketing department, Customer service department, human resource department, the finance department and IT & T department. The interview guide contained two sections: section A contained questions on the general information about the respondents while section B contained questions about the strategies adopted by Kenya power to achieve organizational performance. A face to face interview was conducted with five senior management and departmental heads that were responsible for making strategic decisions on strategic responses to be adopted by the firm to maintain and sustain competitiveness through continuously providing quality goods and services. Data was analysed using content analysis. The three strategic responses adopted by Kenya Power were found to be: product innovation, diversification and corporate rebranding. It was further concluded that the organization had invested in modern technologies. For example, it has invested in information communication technology to align itself with the needs of the customers. This leads to providing more integrated and flexible products that lead to increased revenue collection and thus improvement in organizational performance. The following recommendations were made: This study recommends that there should be regular replacements of the company's infrastructure e.g. transformers to reduce the number of break downs. This study further recommended that the organization should develop and cultivate a culture of rewarding its employees to motivate them to work even harder. The study also recommended that the organization should consider hiring qualified and authentic contractors when outsourcing services like power lines construction to avoid surging lines and falling poles. Fourthly, the study recommended that, Kenya Power should offer training and educational programs to its employees and customers so that customer queries can be sorted out on real time through. This is by using facilities like the internet for online services delivery which is very convenient, cost effective and saves on time. The study also recommended that the Kenya power should invest largely on customer care centres in all the 47 counties in Kenya where all customers' queries can be addressed within the region thus improving on resolution time. Future researchers and academicians should do further research on the strategic responses adopted by the public sector to improve performance. A study can be conducted in relation to the effect of strategic responses on organizational performance among commercial banks in Kenya. Findings and conclusions can be compared to establish whether there are areas of commonalities or unique factors. A similar study can be conducted after a period of ten years since different technological innovations may have taken shape and thus affecting the level of organizational performance. The findings can then be compared to find out if there is any similarity or differences. The limitation faced by the researcher during data collection was that the managers were too busy and therefore the researcher had to interview their deputies whom to some extent may not be more experienced than the managers. Lastly, the other challenge faced by the researcher was that there was no control over the data collection; some of the respondents gave out incomplete questionnaires while others failed completely to fill the questionnaires.

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LIST OF ABBREVIATIONS AND ACRONYMS

EAPL	East African Power and Lighting Company
ERC	Energy Regulatory Commission
GDC	Geothermal Development Company
IPP	Independent Power producers
KENGEN	Kenya Electricity Generating Company Limited
KETRACO	Kenya Electricity Transmission Company
KPLC	Kenya Power & Lighting Company Ltd.
KP	Kenya Power
mW	Mega Watts
REA	Rural Electrification Authority
SWOT	Strengths, Weaknesses, Opportunities and Threats
TANESCO	Tanzania Electric Supply Company Limited
UETCL	Uganda Electricity Transmission Company Limited

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CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Organizations exist and carry out their activities within the environment. The environment provides these firms with inputs which they transform to output through internal processes and the output given back to the environment. In order to survive, organizations have to adopt and cope with the changes in the external environment through matching their activities to the environmental conditions. Aosa (1992) argued that a mismatch between the environment and the organization brought about by failure to respond to changes in the environment creates a strategic problem. The environment is classified into external and internal environments. The internal environment is comprised of factors that are within the organization's control and which also influence the firm's operations like financial resources, technology, human resource, structure and processes.

The external environment on the other hand is turbulent, characterized by risks and uncertainties and keeps on changing (Pearce, and Robinson, 2005). It is comprised of factors such as political, economic, socio-cultural, technological, ecological and legal variables which are beyond the firm's control and which affect its operations. Strategy is a firm's game plan for surviving in the changing environment. This implies that strategies are not static; they keep changing as the environment changes. Machuki and Aosa (2011) noted that from time to time, organizational environments undergo catastrophic upheavals which lead to changes that are so sudden and extensive that they alter the trajectories of the entire industries, overwhelm the adaptive capacities of resilient organizations, and surpass the comprehension of seasoned managers. For organizations to be effective and successful, they should respond appropriately to changes that occur in their respective environment (Thompson, Strickland, Gamble and Jain, 2008).

This is what is termed as strategic responses; the actions that an organization takes to align itself with the environment. Any organization that does not take actions to align itself with the environment cannot survive in the external environment and thus it's forced out of the environment (Mintzberg, 1998). Resource dependency theory explains that the external control in the organizational perspective is an extension of open-systems theories, where the external control of organizations is based on the notion that the behavior, choices, and actions of an organization are best understood by analyzing the environmental or the social context of that behavior (Pfeffer, and Salancik, 2003).In this view, the environment is a powerful constraint on organizational action to the extent that all organizational outcomes are based on interdependent causes or agents within their environment. Pfeffer and Salancik (2003) assert that what happens in an organization is not only a function of the organization, its structure, its leadership, its procedures, or its goals. What happens is also a consequence of the environment and the particular contingencies and constraints from that environment (Mroczkowski and Hanaoka, 1997).

1.1.1. Concept of Strategy

Strategy is a general plan of action formulated for a broad, long-term, corporate goals and objectives, for achieving one's goals and objectives. Alfred Chandler, author of Strategy and Structure (1962), the classic study of the relationship between an organization's structure and its strategy, defined strategy as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals."

Organizations use business analysis tools like SWOT to determine the general nature and environment of an organization for strategic decision making. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. SWOT analysis summarizes the current status of a company and helps to devise a plan for the future. One that employs the existing strengths redresses existing weaknesses, exploits opportunities and defends against threats.

All business firms exist in an open system; they affect and are affected by external conditions that are largely beyond their control (Stacey, 2003). To successfully position a firm in competitive situations, its strategic managers must look beyond its operations (Coulter, 2005). They must consider their competitors, customers, suppliers, creditors, government among other stakeholders when making key decisions. Internal strengths and internal weaknesses are an organization's controllable activities; they arise in the management, marketing, finance, accounting, production and operations, research and development, and management information systems activities of a business. Identifying and evaluating an organizational strengths and weaknesses in the functional areas of a business is an essential strategic-management activity. Organizations strive to pursue strategies that capitalize on internal strengths and eliminate internal weaknesses (Dewit and Meyer. (2005).

Strengths and weaknesses are determined relative to competitors. Relative deficiency or superiority is important information to a firm in any competitive environment, Strengths and weaknesses can be determined by looking at the opportunities available against threats that may pose as risks to the performance of an organization. For example: strength may involve ownership of natural resources or a historic reputation for quality. Internal factors of a firm can be determined in a number of ways, including computing ratios, measuring performance, and comparing past periods and industry averages. A number of surveys also can be developed and administered to examine internal factors such as employee morale, production efficiency, advertising effectiveness and customer loyalty (David, 2007).

1.1.2. Organization's Performance

Organizational performance comprises of the actual output or results of an organization as measured against its intended outputs or goals and objectives. According to Stacey (2003) organizational performance encompasses three specific areas of firm outcomes namely financial performance i.e. profits, return on assets, return on investment, product market performance that is sales, market share and shareholder return, total shareholder return and economic value added (Mroczkowski and Hanaoka, 1997).

The term Organizational effectiveness is broader; specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and development. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as financial performance. For example shareholder returns, customer service, social responsibility and employee stewardship. Organizational performance is the extent to which an organization achieves a set of pre-defined targets that are unique to its mission. These targets will include both objective and subjective indicators (Montgomery and Porter, 1991).

1.1.3. Strategy Implementation

Strategy implementation is the putting into action a formulated strategy. It involves organization of the firm's resources and motivation of the staff to achieve objectives. Although formulating a consistent strategy is a difficult task for any management team, making that strategy work, that is, implementing it throughout the organization is even more difficult. A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action (Johnson, Scholes and Whittington, 2006).

Strategy implementation involves the organization of resources and motivation of staff in order to achieve the objectives and key performance indicators set out in the Strategic plan (Raps, & Kauffman, 2005).Strategy implementation may be faced by a set of challenges which may emanate from the leadership and the management, the resources, the organization structure and culture, the organization politics, the motivation of staff, the involvement and participation of staff, the perception and resistance emanating from staff and other stakeholders (Ramesh, 2011).

Strategy implementation is a very important activity in a firm however; it is not easy. Almost all organizations have strategies nonetheless; out of 100 companies only 20 can successfully implement strategies. Strategy as a process focuses mainly on monitoring the effectiveness of set objectives as well as the functional policies with respect to the mission and the function of employees of the firm. It is therefore apparent that the nature of decision and the level of the organization in which it is taken, can only be deemed effective if it receives full support of its implementers and achieves the objectives it is related to (Thomson and Gamble, 2006).

1.1.4. Energy Sector in Kenya

The energy sector in Kenya is regulated by the Energy regulatory Commission, enacted in 2006 under the Energy Act No. 12 of 2006. Energy in Kenya describes energy and electricity production, consumption, import and export in Kenya. The current effective installed electricity capacity in Kenya is 1,533 MW. Electricity supply is sourced from hydro and fossil fuel sources (ERC, 2013).

Just until recently Kenya lacked significant domestic reserves of fossils fuel. It has over the years imported substantial amounts of crude oil and natural gas which may change with the recent discovery of oil reserves in some parts of the country. It relied on oil imports to meet about 42% of its energy needs in the year 2010.The connectivity to the national grid in Kenya is at 28% (ERC, 2013).

The energy sector in Kenya has faced a number of challenges making it difficult for the sector to run its activities efficiently. Some of the challenges include low investment in the power sector by private investors, high cost of rural electrification, limited distribution capacity, limited capacity during peak demand, grid-system losses and weaknesses, limited reach in rural areas, vandalism, over-reliance on hydro power which constitutes about 70-80 per cent of the total electrical power forcing the company to do power rationing in times of drought, and also switching to alternative power generation which is very expensive (ERC, 2013). It is therefore important that the government address the issue of high electricity tariffs so as to make Kenyan goods affordable and competitive both locally and internationally. The sector has many sources of energy namely petroleum, coal, wind, solar, Hydroelectricity, Biomass and geothermal energy. Since 2004, the demand for electricity has risen substantially due to the high economic growth experienced in the country and also the company's commitment to connect as many customers as possible.

The energy sector is regulated by the Electricity Regulatory Commission (ERC) which was enacted in 2006 under the Energy Act No. 12 of 2006 to control the operations of the key players in the sector. It reviews electricity tariffs, enforces safety and environmental regulations and safeguards the interests of the stakeholders.

Kenya Electricity Generating Company Limited (KENGEN) is one of the key players in the industry. It generates electricity and then sells it to Kenya Power for distribution. KENGEN generates about 80 per cent of electricity consumed in the country using various sources ranging from hydro, geothermal, thermal and wind with hydro electricity being the highest source with 64.9 per cent of the total installed capacity. The high demand for power opened the generation industry to independent power producers (IPPS) like Ibel Africa, Tsavo Power, Uganda Electricity Transmission Company Limited (UETCL) and Tanzania Electric Supply Company Limited (TANESCO) who produce the other 20%.

Kenya Electricity Transmission Company (KETRACO) is another company in the energy sector which was formed and funded by the government in 2008 and its mandate was to construct new transmission lines in an effort to increase the connection base.

In the same year, Geothermal Development Company (GDC) was formed to explore and produce geothermal steam as a government policy to ensure efficiency - Session paper No. 4 of 2004, and the energy Act No.12 of 2006. Its mandate was to promote the rapid development of geothermal power in Kenya. So far, GDC has yielded 209 mW against a massive potential estimated at 7000 mW to 10,000 mW. By 2030, it is expected to drill 1400 steam wells which will add 5,000 mW to the national grid.

Rural Electrification Authority (REA) established under Section 66 of the Energy Act, 2006 implements rural electrification projects on behalf of the government with the mandate to accelerate the pace of rural electrification. This is to foster the country's economic development.

In 2008, Kenya Electricity Transmission Company (KETRACO) was formed to build high voltage transmission network and KPLC to transmit and maintain the lines.

It is important to note that only KPLC and KenGen have public share holdings of 49.1% and 30% respectively while the rest KETRACO, ERC, REA and GDC are wholly owned by the government of Kenya.

For a long time, Kenya has relied on hydroelectricity which mostly relies on there being enough water in the reservoir. To meet demand, IPP's generate the power using fuel which tends to be very expensive. The government however has identified potential sources of untapped energy which if fully utilised would save the country of cost incurred in buying power from the neighbouring countries, create employment and boost the country's economy.

1.1.5. Kenya Power

Kenya Power (KP) is a limited liability company under the ministry of Energy; it is involved in transmission, distribution and retail of electricity and is the only licensed electricity distributor and supplier in Kenya. The power industry in Kenya dates back in 1922 When two utility companies , Mombasa Electric Power and Lighting Company and Nairobi Power and Lighting Syndicate merged and were incorporated under the Companies Act as a public limited liability company known as the East African Power and Lighting Company (EAP&L). In 1932, EAPL acquired a controlling interest in the Tanganyika Electricity Supply Company Limited (TANESCO) and later acquired generating and distribution license in Uganda. In 1948, the licenses were receded to Uganda Electricity Board. In 1954, Kenya government acquired substantial shareholder in the industry through the setting up of Kenya Power Company (KPC) managed by EAPL. When EAPL sold its majority share in TENESCO to the government of Tanzania in 1964, the company's name changed to KPLC in 1983 through a special resolution by shareholders. In July 2011, KPLC was rebranded to 'Kenya Power' with its vision being "to provide world class power that delights our customers" whereas its mission is "powering people for better lives". The company has approximately 8500 permanent employees with 2240 members as management staff while the rest are in union (KPLC annual report, 2010-2011)

Due to the changes in the environment, Kenya Power has undergone several fundamental changes in order to remain relevant and competitive in the market place. The core function of the organization was split into two to increase autonomy and enhance efficiency and effectiveness in its operations. The role of generating electricity was given to a newly formed company known as Kenya Electricity Generating Company (KenGen), transmission and distribution of power was left to another company called Rural Electrification Authority (REA) which was formed to assist in the rural electrification exercise through building lines in the rural areas and for KPLC to transmit and maintain supply of electricity. This has led to tremendous growth in its operations with the company's profits growing yearly recording a compounded annual growth rate of 36% in the last six years(2004- 2010). This is mainly due to the increased demand for power. Kenya Power distributes and retails electricity to customers throughout Kenya (Kenya Power, 2013).

The energy sector is identified as one of the key drivers of the vision 2030 and developments in this area is keenly watched by all the stakeholders.

1.2. Research Problem

Today, organizations are forced to confront diverse challenges in their internal environment including rapid advances in information technology, the emergence of new organizational forms and the globalization of many markets. Under such conditions, understanding the relationship between organizational action and performance is of great practical and theoretical interest (Thompson and Gamble, 2006). Employees in an organization should conform to the internal changes of the firm in order to enhance their performance and that of the firm. Understanding the influence of performance on subsequent actions is equally important because the quality of performance is thought to provide a basis for adjustments in strategy (Zwick, 2006). Of particular interest is how organizations respond to their internal changes when they suffer poor performance (Johnson, Scholes and Whittington, 2006).

Organizations develop and implement revenue, cost saving, and budget strategies, create a risk management program, and establish internal controls (Best Practices, 1999). On internal processes, the organization measures its productivity and effectiveness through benchmarks. To achieve its objective, the organization compares itself with its competitors in the same line of business in order to build best practices and internal controls. Past results are used to develop process improvement projects and cross-functional teams, and invest in new technology tools (Kaplan and Norton, 2001).

A number of studies have been done locally and internationally in relation to strategic responses adopted by firms to achieve organizational performance. David & Ketchen (2004), investigated on the effect of strategic responses on organizational performance, the results of the study found that the manner in which the organization aligned its strategies highly contributed to its performance. In another study, Boyne and Walker (2004) investigated on the response to strategy on organizational performance and the results of the study found that there was a positive correlation on the relationship between strategic responses and organizational performance in public service organizations. McInerney and Barrows (2004), did a study on the management tools for creating public sector responsiveness, it was revealed that a new approach, which incorporates modern strategic management tools is necessary for the public sector to achieve improved performance and overall service quality.

Njenga (2010) in his study concluded that strategic responses highly contributed to bank performance, Kimaiyo (2012), the study concluded that strategic responses were a key component in adapting to the internal changes in the environment. Some of the strategic responses include advancements in technology, strategic partnerships, outsourcing of services, performance contracting, business process re-engineering (BPR), benchmarking and performance measurement. Maore (2012) found that competitive intelligence was taken as a vital component of Kenya Power and Lighting Company's strategic planning and management process.

From the above studies little has been done on strategic responses adopted by Kenya power to improve performance laying more focus on the internal environment. This study therefore is about finding out the strategic responses adopted by Kenya power to improve performance.

1.3. The objective of the study

The objective of this study was to determine strategic responses adopted by Kenya power to improve performance.

1.4. Value of the study

The study will be beneficial to the government and other policy holders in setting policies that will enable firms to respond to the changes in the business environment by adapting strategies that will ensure that they remain afloat and improve their performance.

Businesses will learn about strategic responses that lead to reduced costs of operation and increased quality of products and services leading to improved customer satisfaction and profit.

The study will be useful since it will add more knowledge to students of strategic management interested in this study and other related topics. It will also serve as a basis for further research to future academicians and researchers.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter provides theoretical evidence from different researchers and scholars; it also covers the strategic responses adopted by firms to cope with external environment in order to achieve performance.

2.2. Theoretical Foundation of the Study

This section provides the theories that support strategic responses on organizational performance. These theories are namely: resource dependency theory and resource based theory as discussed below.

2.2.1. Resource Dependency Theory

Resource dependency theory notes that the external control in the organizational perspective is an extension of open-systems theories, where the external control of organizations is based on the notion that the behaviour, choices, and actions of an organization can be explained best through analysing the environment or the social context of that behaviour ((Forman and Hunt, 2005). In this view, the environment is a powerful constraint on organizational action to the extent that all organizational outcomes are based on interdependent causes or agents within their environment. What happens in an organization is not only a function of the organization, its structure, its leadership, its procedures, or its goals. What happens is also a consequence of the environment and the particular contingencies and constraints from that environment (Cummings and Worley, 2001).

This theory argue that organizations become mutually dependent as they work to ensure a sufficient flow of resources, the interconnected result of which is a network of social interactions and interdependencies (Robinson, 1997).Building This state of interdependence, and the doubts that accompany the actions of other actors in the environment, creates uncertainty or unpredictability that also increase with a lack of coordinated activities among social units (Scott, 1995).

The challenge for organizational survival occurs not only because organizations depend on their environment, but also because the environment is not dependable (Porter, 2008).The environments change as resources and new organizations enter and exit. As the surrounding circumstances change, organizations face the prospect of either not surviving or adapting in response to these environmental challenges (Powell, 1991).The diversification of an organization's activities does not reduce its dependence on the environment, but merely alters the nature of the interdependence and structures of organizational dependence so that it is more readily managed (Pfeffer and Salancik, 2003).

2.2.2. Resource Based Theory

Resource based theory focuses on the idea of costly to copy attributes of the firm as sources of business returns and the means to achieving superior performance and competitive advantage (Barney, 2001). Prehalad and Gary (1990) suggested that firms match their resources, skills and expertise into core competences and distinctive competence to gain competitive advantage. A well organized and formulated strategy plays a significant role in assembling and allocating an organization's resources into a unique and viable posture based on its relative inner competencies and shortcomings, anticipated changes in the external environment and contingent moves by intelligent opponents. In reference to Mintzberg (1987), he defined a strategy with a broad viewpoint: as a plan, pattern, position and finally as a perspective which the organization or individual has in mind towards achieving a certain goal.In this view, the environment is a powerful constraint on organizational action to the extent that all organizational outcomes are based on interdependent causes or agents within their environment. Pfeffer and Salancik (2003) assert that what happens in an organization is not only a function of the organization, its structure, its leadership, its procedures, or its goals. What happens is also a consequence of the environment and the particular contingencies and constraints from that environment (Robinson, 1997).

2.3. Strategic Responses

According to Thompson et al., (2008) to respond to changes in the external environment, organizations in most industries have to craft strategies that are responsive to environmental regulations (Porter, 1996). However, the factors and forces in an organization's macro-environment having the biggest strategy-shaping impact typically pertain to the organization's immediate industry and competitive environment, actions of rival firms, buyer behaviour and suppliers' considerations (Porter, 2008).Organizations respond differently to environmental changes with a view to countering competition and meet its goals amongst others. Some of the strategic responses that have largely been used locally and globally include value creation, organization's branding, product innovation, mergers and acquisition (Porter, 1998).

2.3.1. Value Creation

A firm creates value by performing a series of activities that Porter identified as the value chain. In addition to the firm's own value-creating activities, the firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (Mintzberg, 1994).

2.3.2. Organization's Branding

Branding is a key element in a firm; it is one of the most valuable assets. Castrogiovanni (2002), brand image comprises a product's name, its main physical features and appearance, and its main functions. Competitive branding enables an organization to distinguish themselves from their competitors, to create customer loyalty, to exert greater control over promotion and distribution, and to demand a price premium over their competitors .Some studies have identified a positive correlation between brand image and firm performance On the other hand Cameron, Kim and Whetten (1987) notes that a brand is an important tool that organizations may use to gain customer loyalty and confidence, this is essential in achieving a competitive advantage against competitors (Castrogiovanni,1991).

Brand image makes the firm to look distinct in the market especially when it is targeting specific customers, this play a fundamental role in increasing its market share as a provider of quality services that add value to customers. The major disadvantage of this of this strategy is that it may take a long period of time before a hotel becomes recognized as a brand in the market (Brass, Galaskiewicz, Greve, Tsai 2004).A new firm could be providing quality services in the market but because since it's not known, it might take some time to win the confidence of customers. During this period the firm may incur a lot of costs trying to establish and itself in the market (Cameron, Kim, Whetten, 1987).

2.3.3. Product Innovation

Product innovation is a plan made by an organization to encourage advancements in technology or services, usually by investing in research and development activities. For example, an innovation strategy developed by a high technology business might entail the use of new management or production procedures and the invention of technology not previously used by competitors (Von Hippel, 2005).Product innovations may be tangible manufactured goods, intangible services, or a combination of the two. Examples of recent tangible product innovations that have had a very significant impact on the way people live and work are personal computers, mobile phones, and microwave ovens (Von Hippel, 2005).

Intangible products that complement these types of physical equipment include the various pieces of computer software needed to control flows of information through these devices, leading to the delivery of information and the supply of communication services (Goto and Odagiri 1997).The advantage of this strategy is that it might be difficult for other firms to imitate on the same products. Smaller firms wishing to come up with innovations of new products might face challenges due to lack of modern technology and resources to develop a new product in the market (Tidd, Bessant and Pavitt, 2001).

2.3.4. Mergers and Acquisition

Mergers and Acquisition is a kind of strategic response that is very popular in a competitive environment. In most cases firms use mergers and acquisitions to offer value added products that meet the growing needs of customers. It is expected that the shareholder value of a firm after mergers or acquisitions would be greater than the sum of the shareholder values of the parent companies (Keegan and Schlegelmilch, 2001).When two firms merge they are likely to cut costs of operations through improving on their efficiency as a result of economies of scale.

Galbraith and Lawler (1993) noted that combining the operations, via merger or acquisition is an attractive strategic option for achieving operating economies, strengthening the resulting organization’s competences and competitiveness, and opening up avenues of new market opportunity. In some cases acquisitions that are normally achieved through stock purchase may result in potential liability for the firms making the acquisition. The other limitation of this strategy is that when a firm acquires another firm, employees may duplicate each other's functions. This can cause excessive payroll expenditures where you pay for two employees to do the work of one and thus reducing motivation among employees (Cateora and Graham, 2002).

2.4. The influence of Strategic Responses on Performance

Most organizations are forced to confront diverse environmental challenges including rapid advance in the level of information technology, the introduction of new organizational forms and globalization of markets under certain conditions. Understanding the relationship between organizational action and performance is of great practical and theoretical interest. The managers of the firm should understand the influence of performance upon certain subsequent actions in the external environment; the firms should adjust itself to changes in the external environment. This is because the quality of performance provides a basis for adjusting in respect to the strategies in place (Weihrich and Koontz, 1993).

Some firms position themselves as a brand in the environment in order to gain competitive advantage against its competitors. This enables the firm to build a positive corporate reputation by winning customer confidence and trust as a market leader in handling a particular line of goods and services thus leading to improved organizational performance. The manner in which an organization responds to various changes in the external environment highly determines the resultant organizational performance of a firm. The turbulent, nature of the environment highly affects the performance of the firm and thus has a bearing on how strategies are formulated and implemented by organizations (Yousaf, 2008). The firm should invest more in technology and product innovation in order to cope with the pace of technology in the external environment. This gives the firm a competitive edge to compete favourably with its competitors in the external environment (Mroczkowski and Hanaoka, 1997).

To cope with changes in the external environment, the executives of the firm should find a strong fit between the changes in the external environment and what the firm provides. This is essential in ensuring that the decisions made by the firm are compatible with the environmental changes (Meran and Hirschhausen, 2009).

Meran and Hirschhausen (2009) observe that while the actual selection of a strategy remains an art, it should be governed by a systematic process. It is one that defines the goal and purpose of the organization through examining the external and internal environment to identify opportunities and constraints regarding that strategy (Zikmund and Griffin, 2010).

Well formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented, business executives should be keen when deciding on the strategies to use to counter challenges in the external environment. Strategic responses significantly affect the performance of an organization; cost leadership is one of the strategies commonly used by large firms that enjoy economies of scale. These firms charge lower costs than their competitors and provide good quality for their products and services. This highly attracts more customers and thus widens their market share leading to an increase in organizational performance (Montgomery and Porter 1991).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the research methodology that was used to achieve the objective of this study; it also provides research design, the technique of data collection, data analysis and data presentation.

3.2. Research Design

A case study was used for this study. A case study is an in depth investigation of an individual, group, institution or phenomenon. It allows the researchers to understand the nature and complexity of the process that is taking place and answer the “how” and “why” questions.

A case study will be suitable for this research as it involves a complete observation of social unit emphasizing in depth rather than in breadth analysis. A case study is important for analysing information in a systematic way to arrive at useful conclusions and recommendations (Kothari 2004).

3.3. Data Collection

An interview guide was used for data collection purposes. The study used primary data since the nature of the data to be collected was qualitative in nature. Primary data was collected by interviewing five departmental heads at Kenya Power, these departments were namely: marketing department, Customer Service department, human resource department, the finance department and corporate planning department. The interview guide contained three sections: section A contained questions on the general information about Kenya Power. Section B contained questions on strategic responses adopted by Kenya Power to respond to environmental changers and Section C contained questions on the influence of strategic responses on organizational performance.

A face to face interview was conducted with five senior management and departmental heads that were responsible for making strategic decisions on strategic responses to be adopted by the firm to maintain and sustain competitiveness through continuously providing quality goods and services.

3.4. Data Analysis

Data was analysed using content analysis which is a systematic qualitative description of the composition of the objects or materials of the study. Content analysis involves observations and detailed description of objects, items, or things that comprise the sample (Creswell, 2009). The use of this analysis method was significant since its saved time and resources.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS.

4.1. Introduction

This study sought to obtain information on the objective of the study which was to determine strategic responses adopted by Kenya power to improve performance. To achieve the intended objectives of the study five senior departmental heads were interviewed and all of them responded. Respondents interviewed were: senior system administrator, principle systems analyst, customer relations officer, senior finance officer, senior corporate planning officer.

4.2. Demographics

Based on their level of education, three of the respondents had attained masters' level of education and the other two had attained undergraduate level of education. With regard to the length of the service that the respondents had served in Kenya power the findings established that one of the respondents (Principal System's analyst) had served in the organization for 18 years, the senior corporate planning officer had served in Kenya power for 20 years while the customers' relations officer had served in the organization for 26 years. There was a tie between senior finance officer and senior systems administration who had served in the organization for 15 years each.

This was indication that the respondents understood the various strategic responses adopted by Kenya power to improve organizational performance.

When asked about what they liked best about their current position, the principal systems officer noted that he was given room to solve internal customer system complaints. However, the senior systems administrator indicated that his task was challenging since he had work with new innovations on a regular basis. He further explained that learning and working with the new innovations frequently made his work more interesting.

On the other hand, the customer relations officer explained that mentoring and dealing with new challenges everyday was her best moments in the work place. The finance manager contended that it motivated him to see the company's financial position improve. He also said that he liked to solve problems and challenging tasks. However, when asked what he liked best about his job the senior officer failed to give an answer to this question.

When asked what they liked least about their current position, the finance officer indicated that some of the challenges he faced were beyond his powers for example he did not have control over budgetary allocations. The principal systems analysts pointed out that it took a long while for the system users to understand their roles and ended up creating many errors in the system.

The senior system administrator further indicated that there were so many restrictions in the work place that inhibited flexibility in the work place .The customer relations officer noted that she did not like handling personal issues while the senior officer explained that the organization did not offer opportunities for career growth in the lower staff levels unlike in the higher levels where the company sponsored them to different academic levels among them the highest level in the land.

4.3. Strategic Responses Adopted by Kenya Power

The research findings indicated that formulation of strategic responses at Kenya power was undertaken by the management and departmental heads using a top down approach. The strategies formulated were then implemented from top management, departmental head then to the employees. The respondents indicated that strategic responses were a necessity by stakeholders.

They further explained that there was great need to respond to the changes in the internal and external environment to achieve organizational performance. The respondents explained that Kenya power was determined to provide the best service to its customers with the aim of achieving high quality services and increase customer satisfaction.

The findings of the study revealed that Kenya Power adopted a number of strategies. For instance it adopted corporate rebranding, innovations and diversification. The respondents explained that these responses were intended to enhance quality of services, increased efficiency, convenience and more improved customer satisfaction.

It was observed that strategic responses were essential ingredients towards improving the image of the organization through providing better services that meet the ever growing customers' needs. Majority of the respondents noted that with strategic responses the organization was able to cope with the changes in the external environment, for example change of technology.

The study established that Kenya power has made preparations to cope with challenges in the external environment. The findings revealed that the Company has embarked on an organization culture change and corporate rebranding project to transform the organization's culture and staff attitudes. The respondents indicated that this was intended to greatly enhance service delivery, corporate performance and image.

The respondents also noted that the development of a new corporate brand was intended to make sure that Kenya power was responsive to its customers and stakeholders, professionalism in all its operations and its mandate to enhance increased customers confidence and trust. To successfully implement this strategy, Kenya power consulted Ogilvy & Mather East Africa Ltd., McKinney Rogers, and SBO Research Kenya Ltd to assist the Company in implementing the project over a three-year period starting from January

2010.The study further revealed that this strategy was aimed at achieving the organization's new vision, mission and core values. It was also revealed that the strategy would bring in staff performance related training, a new executive information system (Dashboard).

According to the presentation to Kenya power stakeholders' conference on the 5 year corporate strategic plan of 2011/12 to 2015/162011/12 to 2015/16 by MBS Eng. Joseph K. Njoroge Managing Director & CEO Kenya Power & Lighting Co. Ltd, this project was expected to lead to a Corporate Reputation Index above 85% from the current 76% and to significantly contribute to attaining a Customer Satisfaction Index target of 80% from the current 69%. These in turn would boost market factors leading to higher sales and revenue, enhanced staff productivity leading to an increase in profitability.

From the findings it was observed that Kenya power implemented product innovation as a strategy to enhance organizational performance. The respondents disclosed that prepaid meter roll out project of 2009/2010 was one of the strategic initiatives by Kenya power to enhance increased revenue collection while providing efficient and high quality customer handling services.

According to the findings, it was estimated that the organization would consistently achieve over 98% revenue collection as a percentage of billing through automatic meter services. The respondents indicated that this would assist in enhancing convenience and flexibility since customers could buy tokens according to their needs.

From the findings, the respondents revealed that diversification was one of the strategic responses adopted by Kenya power to enhance organizational performance. The findings revealed that the organization had its business as a way of leveraging the assets and resources and increasing shareholder value.

According to the respondents, Kenya power was leveraging the SCADA infrastructure; with reference to the report by Kenya power stakeholders' conference on the 5 year corporate strategic plan of 2011/12 to 2015/162011/12 to 2015, it was found that the firm had installed 1200 km of a 24 pair fibre optic cable on its transmission infrastructure. KPLC is utilizing 6 pairs for their internal use and the remaining 18 pairs have been made available for lease to licensed telecommunication operators.

It was discovered that four companies had already signed the lease agreements for dark fibre with KPLC and six other companies had expressed interest. In the report all new transmission lines were to be built with fibre optic cables. It was further discovered that the organization had recently entered into international consulting in partnership with Manitoba Hydro International in order to apply its knowledge and experience more widely.

The findings confirmed that Kenya power has partnered with MHI to provide managerial services and key executive staff to the electricity companies in Liberia and Afghanistan as an expansion strategy to boost organizational performance through increased sales and profitability. The other product introduced by Kenya power to improve on the efficiency was electronic bills (E-bills).In reference to the views of the respondents interviewed; it was clear that E-bills were a faster and more convenient cost effective method to handle customer bill queries and payments.

The findings revealed that the other innovations implemented by Kenya power to achieve service delivery were accelerated customer connection for example, Umeme pamoja. This product targeted groups, people settlements and maximization of transformer usage through improved customer connection. With 'Umeme Pamoja' the respondents indicated that this product was meant for groups connections, it allowed new customer connection financing in partnership with commercial banks and Kenya power revolving fund Stima Loan.

Through product innovation, the findings confirmed that Kenya power in an effort to bring to its services closer to its customers collaborated with commercial banks, supermarket, post offices MPESA and ZAP countrywide in the payment of electricity bills. With Easy Pay Electricity bill balances, SMS alerts to customers for disconnections and hold E Bill scheduled outages provided efficient lighting project that entails free distribution of 1.25 million bulbs to electricity customers for example Badilisha Bulb campaign prepaid Meters pilot project for 25,000 customers completed in 2010.

The organization had made a lot of effort in hiring more competent and experience professionals who maintain professionalism and integrity when providing customers services. The organization also provided a more enabling environment for the employees through providing them with resources and facilities to carry out their duties efficiently and to improve effectiveness which was an integral part of the organizational goals and objectives. The employees were well remunerated to motivate them to work harder and provide quality services to customers.

4.4. Discussion

The objective of the study was to determine strategic responses adopted by Kenya power to improve performance. The study found out that Kenya power implemented strategies to enhance organizational performance, for instance branding in order to enhance customers loyalty and create a positive image to customers through improved quality of services. These findings are consistent with Castrogiovanni (2002), brand image comprises a product's name, its main physical features and appearance, and its main functions. Competitive branding enables an organization to distinguish themselves from their competitors, to create customer loyalty, to exert greater control over promotion and distribution, and to demand a price premium over their competitors .Some studies have identified a positive correlation between brand image and firm performance. On the other hand Cameron, Kim and Whetten (1987) notes that a brand is an important tool that organization may use to gain customer loyalty and confidence. This is essential in achieving a competitive advantage against competitors (Castrogiovanni,1991).

The organization also implemented product innovation to achieve service delivery innovations which accelerated customer connection. These findings are consistent with Von Hippel (2005) who indicated that, product innovation is a plan made by an organization to encourage advancements in technology or services, usually by investing in research and development activities. For example, an innovation strategy developed by a high technology business might entail the use of new management or production procedures and the invention of technology not previously used by competitors Product innovations may be tangible manufactured goods, intangible services, or a combination of the two.

It was revealed that Kenya power had partnered with MHI to provide managerial services and key executive staff to the electricity companies in Liberia and Afghanistan as an expansion strategy to boost organizational performance through increased sales and profitability. The above studies are consistent with the above findings since they demonstrate the significance of implementing strategic responses to achieve organizational performance which is the objective of this study.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1. Introduction

This chapter presents the summary of key findings; conclusions drawn from the findings described and recommendations drawn. The conclusions and the recommendations were made in an effort to address the objective of this study which was to determine strategic responses adopted by Kenya power to improve performance. The section also covers the recommendations, the limitations of the study and suggestions for further research. This is presented below:

5.2. Summary of Findings

The study was guided by the main objective of this study which was to determine strategic responses adopted by Kenya power to improve performance. To achieve the objective of this study, the researcher interviewed five (5) senior departmental heads who were fully involved in strategy implementation and key decision making of the organization.

The respondents interviewed were: senior system administrator, principle systems analyst, customer relations officer, senior finance officer and senior corporate planning officer. The researcher also obtained information from conference reports, strategic plan and Electronic sources to enrich the information obtained from the respondents in order to draw conclusion based on facts. The interviews were both male and female in a ratio of 2:3Most of the employees interviewed had worked in Kenya power for a period of ten years and above.

The study found that Kenya power had a 5 Year Corporate Strategic Plan to effectively contribute to the Vision 2030 Medium Term Plan and thus facilitate electricity demand growth. The findings revealed that to achieve this goal, the following actions were taken:

Raising the efficiency and quality of existing electricity infrastructure through reinforcement and upgrade of projects. Implementation of new infrastructure projects within specified time frames.

It was also revealed that publicly tendered least cost core projects new electricity sources would include Public Private Partnerships and private investor projects under the grid. To achieve the expansion strategy, the findings revealed that Kenya Energy Expansion Project was to be implemented targeting one million new households to be connected to the national grid over the 5 year plan period at a cost of approximately Kshs. 84 billion.

To achieve organizational performance Kenya power adopted some strategies, for example product innovation through prepaid meter services and electronic billing services. The other strategy was branding which was aimed at achieving customers' loyalty in order to create a positive image to customers through improved quality of services.

The third strategy was diversification whereby according to the findings Kenya power has partnered with MHI to provide managerial services and key executive staff to the electricity companies in Liberia and Afghanistan as an expansion strategy to boost organizational performance through increased sales and profitability.

5.3. Conclusions

The study concluded that the organization rebranded to create a positive image and increase trust and confidence in providing more improved quality services to meet the ever growing customer needs and requirements to achieve improved customer satisfaction. Majority of the respondents concluded that product innovation was highly implemented as a tool to improve organizational performance through cost reduction and improved efficiency in providing quality services.

It was further concluded that the organization had invested in modern technologies, an example being information communication technology (ICT) to align itself with the needs of the customers by providing more integrated and flexible products that lead to increase revenue collection leading to improved organizational performance. The organization has installed facilities and a strong internal control system to improve on cost reduction as well as boost efficiency in responding to technical problems and customers queries.

5.4. Recommendations

Although there was a tremendous improvement in technological advancement still, there were inefficiencies in responding to problems for example blackouts. This study therefore recommends that regular maintenance and replacements of old equipment like transformers is necessary in order to reduce the number of break downs. It also recommends that the company should device ways of dealing with vandalism. For example, replacing the current transformers with the dry type transformers because the oil from the transformers is the main cause of the vandalism

From the findings, it was clear that employees were well remunerated but the organization did not reward the best performance. This study therefore recommends that the organization should develop and cultivate a culture of rewarding its employees to motivate them to work even harder.

The study recommends that the organization should consider hiring qualified and authentic contractors when outsourcing services like line construction to avoid surging lines and falling poles. This will help in improving organizational performance.

The study also recommends that, Kenya Power should offer training and educational programs through online services or workshops to educate its customers on how to use current technologies, addressing queries. This helps in improving efficiency and reduces queries since customers will be informed of what is expected of them.

The study further recommends that the Kenya power should invest largely on customer care centers in all the 47 counties in Kenya where all customers' problems can be addressed efficiently and effectively within a small geographical area. This will enhance a smooth flow of operations leading to organizational performance.

5.5. Limitations of the Study

The limitation faced by the researcher during data collection was that the managers were too busy and therefore the researcher had to interview their deputies whom to some extent may not be more experienced than the managers.

The other challenge faced by the researcher during data collection was time factor. Primary data collection consumes a lot of time. The researchers will need to make certain preparations in order to handle the different demands of the processes and at the same time, manage time effectively.

Lastly, the challenge faced by the researcher was that there was no control over the data collection; some of the respondents gave out incomplete questionnaires while others failed completely to fill the questionnaires. Most of the respondents agreed to participate on condition that the information was only for academic purposes only and therefore would not be divulged to any other party.

5.6. Suggested areas for Further Studies

Future researchers and academicians should do further research on the strategic responses adopted by the public sector to improve performance. Findings can be made, conclusions and recommendations drawn. This study will be beneficial in providing more insights on the extent to which strategic responses leads to organizational performance in the public sector. This will assist in making key decisions on the best strategies to implement to improve the public sector and build confidence to the citizens in terms of providing quality services.

A study can be conducted in relation to the effect of strategic responses on organizational performance among commercial banks in Kenya. Findings and conclusions can be compared to establish whether there are areas of commonalities or unique factors.

Due to the dynamic nature of the technology, it would be interesting to carry out a similar study after a period of ten years since different technological innovations may have taken shape and thus affecting the level of organizational performance. The findings can then be compared to find out if there is any similarity or differences.

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Appendix I: University of Nairobi Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE...02/10/2014

TO WHOM IT MAY CONCERN

The bearer of this letter ....PHYLLIS NDUNGE MUTUNGA.

Registration No...D61/79289/2012..............................

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.

UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS 02 OCT 2014 P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Introduction Letter to Kenya Power

Introductory Letter

Phyllis Ndunge Mutunga

P.O Box 16849-00100

NAIROBI

4th October 2014

Dear Sir/Madam

<u>RE: REQUEST FOR RESEARCH DATA</u>

I am a student pursuing a Master of Business Administration degree of the University of Nairobi. I am carrying out a research project in partial fulfilment of the requirements of the degree. My research topic is on the ***"Strategic Responses Adopted by Kenya Power to Improve Performance."***

I therefore request for assistance in filling the questionnaire that accompanies this letter. The information obtained is for academic purposes only and will be strictly confidential.

A copy of the final project will be available to you on request.

Thank you for your support.

Yours faithfully,

Phyllis Ndunge Mutunga.

Appendix III: Letter of Authorization

Kenya Power

The Kenya Power & Lighting Co. Ltd.
Central Office - P.O. Box 30099 Nairobi, Kenya.
Telephone - 254-20-3201000 - Telegrams 'ELECTRIC'
Fax No. 254-20-3514485
STIMA PLAZA, KOLOBOT ROAD

Our Ref: KP1/5BA/42D/MWM/ls

Your Ref:

5th October 2014

TO WHOM IT MAY CONCERN

RESEARCH APPROVAL – PHYLLIS NDUNGE MUTUNGA

Reference is made to the subject matter mentioned above.

Kindly allow the above student at University of Nairobi to carry out a research project in the Company on ***"the Strategic Responses Adopted by Kenya Power to Improve Performance".***

This authority notwithstanding, discretion must be exercised in the use of company information including business strategies and policy documents.

The Research Project should also not disrupt normal working hours and Company's flow of work.

A soft copy of the final Research Project saved in a Compact Disc should be forwarded to the Human Resource Development Department.

Yours faithfully,
For: KENYA POWER & LIGHTING CO. LTD.

THE KENYA POWER & LIGHTING CO. LTD
P. O. Box 30099
NAIROBI

MERCY MUCHIRA (MRS.)
FOR: HUMAN RESOURCE DEVELOPMENT MANAGER

Appendix IV: Interview Guide

Goal of the Interview Process

To determine the strategic responses adopted by Kenya Power to Improve Performance.

Interview questions

A: Respondent Background interview

1. What is your current position at Kenya Power?
2. What is the highest level of education you have achieved?
3. How long have you served in this organization?
4. How long have you served in your current position?
5. What do you like best about your current position?
6. What do you like least about your current position?

B: Strategic Responses Adopted by Kenya Power

1. Does your company use corporate branding as a strategy?
2. Has re-branding your organization increased customer satisfaction?
3. How does corporate branding strategy help in achieving the overall organization objective?
4. Has your organization been able to improve on its corporate image after rebranding?
5. In your opinion, has corporate branding strategy helped in improving organization performance?

   KPLC has implemented several innovations like the E-Bill, Prepaid meters, Easy pay, Automatic meter reading, UmemePamoja among others.
6. How would you rate the efficiency level of business process due to innovations?
7. In your opinion, has the company been able to save on costs as a result of the product innovations?
8. What is the effect of the innovation strategy on performance of Kenya Power?

9. Has the organization improved flexibility in its operations?

10. Has KPLC implemented diversification as one of its corporate strategies?

11. If yes, how has it been implemented?

12. In your opinion, how has KPLC benefited from diversification?

Any other comment? Please explain