EFFECTS OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF COFFEE DEVELOPMENT FUND, KENYA

BY
MAUREEN CHERONO TESOT
D53/PT/CTY/13776/2009

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS ADMINISTRATION AS A PARTIAL FULFILLMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY

NOVEMBER, 2012
DECLARATION

This research project is my original work and has not been presented for a degree or any other award in any university.

Signature .......................... Date ..............................

Maureen Cherono Tesot
D53/PT/CTY/13776/2009

This research project is submitted for examination with my permission as the university supervisor.

Signature ........................................ Date ..............................

Dr. Muathe SMA (PhD)
Department of Business Administration
School of Business
Kenyatta University

For and on behalf of Kenyatta University

Signature ........................................ Date ..............................

Dr. Muathe SMA (PhD)
Chairman
Department of Business Administration
School of Business
Kenyatta University
DEDICATION

I dedicate this research project to my mother: Gladys Tesot for cultivating in me the seed of hard work and giving me the critical foundation in education, My Husband: Dominic and daughter: Melissa for their love, understanding and support during the many long hours when I had to juggle between work, family and studies.
ACKNOWLEDGEMENT

I am grateful to Dr. Muathe SMA (PhD), for providing me with the basic knowledge that has been beneficial for this study. I am also grateful to the staff of Coffee Development Fund for providing the necessary information for undertaking the study and above all God almighty for his guidance and protection throughout this period.
# TABLE OF CONTENTS

Declaration ........................................................................................................... ii  
Dedication .......................................................................................................... iii  
Acknowledgement ............................................................................................. iv  
List of tables ....................................................................................................... vii  
List of acronyms and abbreviations ................................................................ ix  
Operational definition of terms ........................................................................ x  
Abstract .............................................................................................................. xi  

## CHAPTER ONE: INTRODUCTION

1.1 Background of the study ............................................................................. 1  
1.1.1 Coffee Development Fund in Kenya ...................................................... 3  
1.2 Statement of the problem ......................................................................... 4  
1.3 Objectives of the Study ............................................................................. 5  
1.3.1 General Objective ................................................................................ 5  
1.3.2 Specific Objectives ............................................................................... 5  
1.4 Research Questions .................................................................................. 6  
1.5 Significance of the Study ........................................................................ 6  
1.6 Scope of the Study .................................................................................... 7  
1.7 Limitations of the Study .......................................................................... 7  

## CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction ............................................................................................... 8  
2.2 The Concept of Strategy ......................................................................... 8  
2.2.1 Historical development of strategic management ........................... 12  
2.2.2 Planning as a Process ......................................................................... 13  
2.2.3 Strategy management process ........................................................... 16  
2.3 Theoretical Review ................................................................................ 18  
2.3.1 Strategic management Theories ......................................................... 18  
2.3.1.1 The profit-maximizing and competition-based theory ................ 18  
2.3.1.2 The resource-based theory ............................................................ 19  
2.3.1.3 The survival-based theory ............................................................ 19  
2.3.2 Strategy Management Models ............................................................ 20  
2.3.2.1 Seven’s Framework (McKinsey 7S model) ................................ 20  
2.3.2.2 Mintzberg's Model .................................................................... 22  
2.3.2.3 Michael Porter Value Chain Model ......................................... 22  
2.3.2.4 The Classical Process Model ....................................................... 23  
2.3.2.5 Porter's Five Forces Model .......................................................... 25  
2.4 Empirical Review ................................................................................... 29  
2.4.1 Strategy Formulation ......................................................................... 29  
2.4.2 Strategy Implementation .................................................................... 32  
2.4.3 Environmental Scanning ..................................................................... 33  
2.4.4 Evaluation and Control ...................................................................... 35  
2.4.5 Organizational Performance ............................................................... 28  
2.5 Research Gap ......................................................................................... 35  
2.6 Conceptual Framework ......................................................................... 36  
2.6.1 Operationalization of the Study Variables ....................................... 37
CHAPTER THREE: RESEARCH METHODOLOGY ............................................. 38

3.1 Introduction ......................................................................................... 38
3.2 Research Design ................................................................................ 38
3.3 Target Population ............................................................................. 38
3.4 Sampling Technique and Sample Size ............................................. 39
3.5 Data Collection .................................................................................. 39
   3.5.1 Data Collection Instruments ....................................................... 39
   3.5.2 Validity and Reliability ............................................................... 40
   3.5.3 Data Collection Procedure ....................................................... 41
3.6 Data Analysis and Presentation ....................................................... 41
3.7 Ethical Consideration ........................................................................ 41

CHAPTER FOUR: RESEARCH FINDINGS ............................................... 42

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .......... 55

   5.1 Introduction .................................................................................... 54
   5.2 Summary ....................................................................................... 54
   5.3 Conclusion .................................................................................... 55
   5.4 Recommendations ........................................................................ 56
      5.4.1 Recommendation for future study ............................................ 56

APPENDICES ......................................................................................... 63

Appendix I: Letter of Introduction ....................................................... 63
Appendix II: Questionnaire for CoDF Staff .......................................... 64
LIST OF TABLES

Table 3.1: Distribution of Target Population ......................................................... 39

Table 4.1 Demographic characteristics of target population ......................... 42
LIST OF FIGURES

Figure 2 - 1: Strategic Management Theories ................................................................. 19
Figure 2 - 2: McKinsey 7S model ................................................................................... 20
Figure 2 - 3: Porter’s Value Chain Framework ................................................................. 23
Figure 2 - 4: The Classic Process Model ......................................................................... 25
Figure 2 - 5: Conceptual Framework ............................................................................. 36
Figure 4.1: Who formulates strategies ............................................................................ 43
Figure 4.2: Role of strategy formulation ......................................................................... 44
Figure 4.3: People who implement strategies .................................................................. 45
Figure 4.4: Factors making strategies non workable ....................................................... 46
Figure 4.5: Role of Strategy implementation in enhancing performance ....................... 47
Figure 4.6: Effect of environmental scanning on performance ....................................... 48
Figure 4.7: Role of evaluation and control on performance ............................................ 49
Figure 4.8: Factors hindering evaluation and control of strategies .................................. 36
Figure 4.9: Evaluation and control of strategies ............................................................. 51
Figure 4.10: People involved in Evaluation and Control ................................................ 52
Figure 4.11: Role of Evaluation and Control on socio-economic performance .............. 53
**LIST OF ACRONYMS AND ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOT</td>
<td>Board of Trustees</td>
</tr>
<tr>
<td>CAADP</td>
<td>Comprehensive Africa Agriculture Development Programme</td>
</tr>
<tr>
<td>CoDF</td>
<td>Coffee Development Fund</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resource</td>
</tr>
<tr>
<td>IMT</td>
<td>Interim Management Team</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource-based theory or view</td>
</tr>
<tr>
<td>SRA</td>
<td>Strategy for Revitalisation of Agriculture</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

**Coordinators**  
Middle level managers that are in charge of the departments.

**Managers**  
Senior Level officers in the organization.

**Officers**  
Middle level Managers that are in charge of section in the department.

**Planning**  
Refers to the process of deciding what to do and how to do it.

**Performance**  
The act of doing something that results in a positive or negative Change.

**Strategy**  
A plan that is intended to achieve a particular purpose.

**Strategic Planning**  
A systematic process of envisioning a desired future, and translating this vision into broadly defined goals or objectives and a sequence of steps to achieve them.
ABSTRACT

Coffee Development Fund in Kenya is mandated to provide sustainable and affordable credit facilities to coffee farmers for farm development, farm inputs, farming operations and coffee price stabilization, unfortunately these expectations are yet to be met going by the fact that customer complaints are on the rise and also the company is unable to administer loans effectively to the beneficiaries. This is as a result of the failure of the company to successfully implement the various strategic management practices to improve service rendered to the farmers. The study sought to establish the effects of strategic management practices on performance of Coffee Development Fund, Kenya. The study investigated specific objective regarding to the role of; strategy formulation, strategy implementation, environmental scanning and evaluation and control in performance of CoDF in Kenya. The research design used was descriptive; the target population was 32 staff of CoDF in Kenya. The researcher conducted a census study of all the 32 staff at CoDF. Data was collected using questionnaires and were later analyzed using descriptive statistics and factor analysis. The study found that strategic management practices with regards to strategy formulation, strategy implementation, environmental scanning and evaluation and control play a key role in CoDF in Kenya by establishing the companies direction in terms of projects initiated, identifying key opportunities and threats in the internal and external environment and also ensuring project success. The researcher recommended that all stake holders including beneficiaries be involved in issues of strategy formulation and implementation, the company ensure that their policies are SMART, ensure that all levels of stake holders own the projects to facilitate their success, they should ensure that they take advantage of key opportunities in external environment finally, the company should also ensure that it has monitoring and evaluation specialists to monitor the projects.
CHAPTER ONE
INTRODUCTION

1.1 Background of the study

This chapter provides the background to the study, the problem statement, the study objectives, the research questions, the scope, and the limitations of the study. The chapter gives the basis for the whole study.

According to Johnson and Scholes, (2002), strategy has to do with how the organization matches with its external environment, and the management process is concerned with how to maintain, stabilize or strategize that position. The strategic management process is defined as a process to analyze and learn from the internal and external environments in order to establish direction and create strategies to achieve business goals; the management process would result in a plan to maintain, stabilize or strategize the organization’s market position. Based on the works of Pearce II, et al (2003), Pringle, Young and Chambers (2006) and Kotter, (1999), a simple strategic management model includes the following steps; analysis, direction setting, developing strategies, implementation and control. These steps are interrelated. The strategic management process is an ongoing, circular process. The strategic management process is carried out on the corporate level of a Company.

Strategic management is fundamentally about setting the underpinning aims of an organization, choosing the most appropriate goals towards those aims, and fulfilling both over time, Rantakyro Lena (2000) holds that strategic management can be defined as the art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives. As this definition implies, strategic management focuses on integrating managerial abilities and techniques to achieve organizational success. (Karami, 2005). According to Jean (2003), strategy can be regarded as a process of analyzing, the past to elicit the present actions required for the future. Strategy involves moving from a present state, through a transition state to a future desired state. (Gongera, 2007). Pearce and Robinson (2003), argue that, after the grand strategies are determined and long term objectives set, the tasks of operationalisation,
institutionalizing and controlling the strategy still remain. This phase of the strategic management process entails translating strategic thought into strategic action.

Annual objectives, functional strategies and specific policies provide important means of communicating what must be done to implement the overall strategy. By translating long term intentions into short-term guides to action, they make the strategy operational. But strategy must also be institutionalized to permeate the very day-to-day life of the company- if it is to be effectively implemented. Three organizational elements provide the fundamental, long term means for institutionalizing the firm’s strategy: Structure, leadership and Organizational culture. Strategies entails establishing a sense of urgency, creating a guiding coalition, developing a vision and a strategy, communicating strategy vision, empowering board-based action, generating short term wins consolidating gains and producing more strategy and anchoring new approaches in the culture, (Kotter, 1999).

According to Lippitti (2007), when strategy fails to achieve expected results it is often because the strategy execution was flawed. The failure to execute is a major concern of executives because it limits organizational growth, adaptability, and competitiveness. Executives are not judged by the brilliance of their strategy, but by their ability to implement it. The challenge is how to close the gap between strategy and actual results (Lippitti, 2007). Lepsinger (2006) similarly argues that true leaders have a clear vision and are 100% committed to pursuing it. But something often goes wrong as the leaders try to bring their vision to life. He calls this the “strategy-execution gap”. Pryor I, et al (2007), stated that without coherent, aligned implementation, even the most superior strategy is useless. Unfortunately, most strategic planning efforts fail during this crucial phase wasting significant resources already invested.

Strategy process has been characterized as being highly complex, politically laden, affecting large parts of an organization and driven by the upper level managers, Hamel and Prahalad (1994). Lippitti (2007) argues that in the rush to act on strategy, too little attention is paid to finding the best implementation initiatives. Shortcuts such as repackaging existing projects which appear to support the new strategy, cannot work because while strategic plans can be copied, execution cannot be duplicated. Execution must address the intangibles of cross functional integration, reward systems, and cultures
as well as the tangibles captured in most planning documents. For many firms, false starts, delays and confusion characterize implementation.

According to Pearce and Robinson (2003), an organizational structure is the division of tasks for efficiency and clarity of purpose, and coordination between interdependent parts of the organization to ensure organizational effectiveness. Structure balances the need for specialization with need for integration. It provides a formal means of decentralizing and centralizing consistent with the organizational and control needs of the strategy.

An organization structure is necessary if strategic purpose is to be accomplished. Thus, organizational structure is a major priority in implementing a carefully formulated strategy. If activities, responsibilities and interrelationships are not organized in a manner that is consistent with the strategy chosen, the structure is left to evolve on its own. If the structure and the strategy are not coordinated, this may result in inefficiencies, misdirection, and fragmented efforts.

Rantakyro (2000) states that, to implement the chosen strategies, there are many important decisions to make such as how to structure the Company. The organizational structure has to support the strategies. Structuring the organization involves decisions about how to coordinate activities, relationships, and communication among the internal stakeholders. The organization can be structured by focusing on functionality, products, markets, projects or cooperation.

1.1.1 Coffee Development Fund in Kenya

The coffee sub-sector is a critical economic driver for Kenya. Agricultural Sector Development Strategy (ASDS, 2010-2020) underlines Coffee as a major plank for delivering the 10% annual growth rate envisaged under the economic pillar of Vision 2030.

Coffee Development Fund (CoDF) was established under the provisions of the Coffee Act, 2001 as amended by the Finance Act, 2005. As a state corporation under the Ministry of Agriculture, the Fund is mandated to provide sustainable, affordable credit facilities to coffee farmers for farm development, farm inputs, farming operations and coffee price stabilization.
The concept and formation of CoDF fits well with the Comprehensive Africa Agriculture Development Programme (CAADP) framework which recognises agriculture as central for the alleviation of poverty and hunger and as a means for achieving the Millennium Development Goals (MDGs). In addition, it fits within the government’s Strategy for Revitalisation of Agriculture (SRA) which has a vision to accelerate the process of liberalising coffee and targets improvement of access to financial services and credit.

The CoDF was inaugurated on 15th May, 2006 under a seven-man inter-ministerial Coffee Reforms Secretariat comprising representatives from certain government institutions, namely: Ministries of Finance, Agriculture, Cooperative Development and Marketing, Attorney General’s Chambers, Coffee Board of Kenya and the Coffee Research Foundation. The Secretariat was appointed to run the Fund as an Interim Management Team (IMT). At the same time, the Minister for Agriculture appointed and gazetted the initial Board of Trustees (BOT) through Gazette Notice No. 3188 of 5th May 2006.

The CoDF is run by a 10-member BOT, comprising three government representatives, six members appointed by name and the Managing Trustee who is its Chief Executive Officer. The BOT is assisted by a management team headed by the Managing Trustee with two departmental heads, namely the Finance and Administration Manager, the Credit and Commercial Manager. The main function of the Board is to provide policy guidelines and strategic decision making in accordance with powers conferred upon it by the enabling Act. CoDF’s mandate is to provide sustainable, affordable credit and advances to coffee farmers for farm inputs, farming operations and price stabilisation.

1.2 Statement of the problem

Coffee Development Fund (CoDF) was established as a state corporation under the Ministry of Agriculture after farmers and stakeholders encountered a myriad of problems. This included demoralized farmers, dilapidated infrastructure, stalled projects and farmers incurring a lot of losses, Kamau (2007). In its endeavor to provide sustainable and affordable credit facilities to coffee farmers for farm development, farm inputs, farming operations and coffee price stabilization, a process that called for formulation and implementation of the Coffee Act, 2001.
After the establishment a lot was expected from the company by the Coffee Farmers and the stakeholders. Unfortunately these expectations are yet to be met going by the fact that customer complaints are on the rise and also the company is unable to administer loans effectively to the beneficiaries. This is as a result of the failure of the company to successfully implement the various strategic management practices to improve service rendered to the farmers, Agriculture Report (2009).

The CoDF has relayed the purpose of using strategic planning practices by clearly making it simple and flexible in its strategic plan, it appears that the outcome of the employee productivity has continued to diminish hence low performance of the organization. Corporate organizations have been using the strategic planning practices because of the benefits perceived to be derived from it, Kamau (2007). However, there is no evidence of improved organization’s performance in terms of profitability, increased sales, operations efficiency and objectives met.

1.3 Objectives of the Study

1.3.1 General Objective

The overall objective of this study was to assess the effect of strategic management practices on performance of Coffee Development Fund, Kenya.

1.3.2 Specific Objectives

i. To assess the role of strategy formulation on performance of Coffee Development Fund in Kenya.

ii. To establish the role of implementation on performance of Coffee Development Fund in Kenya.

iii. To investigate the effect of environmental scanning on performance of Coffee Development Fund in Kenya.

iv. To establish the role of evaluation and control on performance of Coffee Development Fund in Kenya.
1.4 Research Questions

i. What is the role of strategy formulation on performance of Coffee Development Fund in Kenya?

ii. What is the role of strategy implementation on performance of Coffee Development Fund in Kenya?

iii. What is the effect of environmental scanning influences performance of Coffee Development Fund in Kenya?

iv. What is the effect of evaluation and control on performance of Coffee Development Fund in Kenya?

1.5 Significance of the Study

The research findings are expected to contribute to a better understanding of strategic management practices, the study will be useful to the following groups:

The government will be able to understand the extent to which the strategic management practices influence management of CoDF.

The findings of this study will also be valuable to CoDF as it will be able to understand vividly the factors that affect strategic management practices in the organization. The recommendations given in the study will help the CoDF by equipping them with adequate tools to get the solutions to the problems posed by the identified factors.

The development partners who are usually interested at helping the CoDF prosper will have an understanding of a wide variety of factors in strategic management practices and how they affect management of CoDF.

Scholars will equally benefit from the results of this study. Indeed, the findings of the study will contribute to the existing body of knowledge in the field of strategic management. Moreover, the findings and recommendations of this study will be a basis for future studies.
1.6 Scope of the Study

The study mainly focused on the strategic management practices in CoDF Kenya. CoDF was used as a case example with a view of establishing how the Company has planned its strategic practices and the challenges it has faced in the strategy process. The researcher will get the respondents from several categories of the staff that will include Managers who are in senior level management, Coordinators and officers who are in Middle level management, and also sub-ordinate staff working at CoDF.

1.7 Limitations of the Study

The researcher encountered uncooperative respondents who were not willing to respond objectively to some of the questions. The researcher elaborated the questionnaire extensively to the respondents before its filled. Finally, the study experienced financial challenge due to huge amount of money required to finances materials to be used for the study.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter basically focuses reviewing literature on the effect of Strategic management Practices on performance of Coffee Development Fund, Kenya. The review delves into various theories and empirical findings that act as a foundation for this research study. The theories and findings form the past studies reveals the core variables for the study. The chapter also provides the conceptual framework that shows the relationship between the variables involved in this study.

2.2 The Concept of Strategy

Studies have shown that two thirds of transformation initiatives fail. According to Sirkin, et al (2005), strategy Management is a set of ideas, strategies and skills that can be applied to engage strategy effectively, during planning, implementation and supporting continuous improvement following strategy. The key benefits of strategy management include; helping one to recognize the power of human dynamics in a strategy process, acting as a map for guiding action and helping stay on course rather than getting caught up in the complexity and tumult of strategy and thirdly, it can help you develop a relationship you need to maximize effectiveness of a strategy effort.

According Nyambok, (2005) Organizational strategy management is a careful planning, organization and execution of an alteration from the norm to the unknown which will require thinking and doing things differently. The entire process has to involve people from the beginning to the end by making the stakeholders buy into the strategy process and own the process itself. Strategy must be managed because it is disruptive and alters the equilibrium of operations. It results in a paradigm shift and causes variations in the status quo. Nyambok adds that, it is vital to carefully manage strategy for the good of the people affected and the organization. Good strategy management yields good results.
The pace of strategy is ever increasing—particularly with the advent of the internet and the rapid deployment of new technologies, new ways of doing business and new ways of conducting one’s life. Organizational strategy management seeks to understand the sentiments of the target population and work with them to promote efficient delivery of the strategy and enthusiastic support for its results. Strategy can be looked at in two levels; the first level is generic enough to apply to any type of strategy. It is mostly targeted at understanding the human response to strategy and creating effective strategies for engaging people to achieve strategy. The second level of strategy management includes strategies that are specific to a particular type of strategy, Nyambok, (2005).

There are two related aspects of organizational strategy that are often confused. Organizational strategy management is concerned with the hearts and minds of participants and target population to bring about strategic behavior and culture. The key skills required are founded in business psychology and require “people” people. The other aspect of organizational strategy is the organizational design where roles, skills, job descriptions and structure of workforce may be designed. Organizational strategy management issues are often underestimated or ignored altogether. People issues collectively account for majority of strategy effort failures, Nyambok, (2005).

According to Johnson and Scholes, (2002), there is an assumption in most of what is written about strategies that there will be a tendency towards inertia and resistance to strategy; people tend to hold on existing ways of doing things and existing beliefs about what makes sense. Managing strategies must therefore address the powerful influence of paradigm and cultural web on the strategy being followed by the organization. The focus of most strategic management literature according to Pearce and Robinson (1991) is the theoretical strategic planning process, which is commonly referred to as the strategic management framework. This framework describes the various phases in strategy formulation. Via this framework, it is suggested that management is able to produce strategies, which are capable of being implemented successfully. This, however, is not necessarily the case. Implementation of strategies is concerned with putting strategy into practice. It is described also as the execution of tactics both internally and externally so that the organization moves in the desired strategic direction.
Paul S, (1996) has described strategy as the primary tool that managers now use to guide companies in their turbulent existence. According to Ansoff and MacDonnell, (1990), strategy is a set of decision-making rules for guidance of organization behavior. They further argue that strategy is illustrative and somewhat abstract concept. Its formulation typically produces no immediate productive action in a firm. It is an expensive process both in terms of money and managerial time.

Paul (1996) opines that the core of general management is strategy, which he elaborates as developing and communicating the company’s unique position, making trade-offs and forging fit among activities, Rai University, (2007). Pearce and Robinson (2003) define strategy as the managers’ large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organization objectives. Thus, they add that strategy represents a firm’s “game-plan”, which though it does not precisely detail all future deployment of resources, it does provide a framework for managerial decisions. A strategy reflects a company’s awareness of how to compete, against whom, when, where and for what.

By combining various definitions, strategy can be described as a plan or a course of action or a set of decision rules forming a pattern or creating a common thread, the pattern or common thread related to the organization’s activities which are derived from its policies, objectives and goals, pursuing those activities which move an organization from its current position to a desired future state and a strategy defines a framework for guiding the choice of action. Since the firm’s internal and external environment strategy over time means that strategy needs to be dynamic.

Strategy has four components; first, strategy should include a clear set of long-term goals. Second, it should define the scope the firm. Thirdly, it should have a clear statement of what competitive advantage it will achieve and sustain. Finally, strategy must represent the firm’s internal context that will allow it to achieve a competitive advantage in the environment in which it has chosen to compete, Rai University, (2007). According to Kotter, (2007), a business will not survive in the long term unless it re-invents itself. In an effort to achieve efficient organizational structures, strategy is inevitable as a way of reducing costs and improving operational efficiency.
Organizational restructuring can be done in various ways such as re-engineering, rightsizing, restructuring, turnaround etc. Graham (2007) opines that strategy is necessary in organizations as maintaining the status quo can lead to stagnation as markets and customers move on, competition evolves and strategy s, and so do the stakeholders.

Hamel and Prahalad, (1994) argue that any company that is a by-stander on the road to the future will watch its structures, values and skills become progressively less attuned to the industry realities. Such discrepancy between the pace of industry strategy and the pace of Company strategy, gives rise to the need of organizational transformation. As Schaap (2006) put it; strategy in organizations comes about as a response to the shocks of rapidly evolving markets and technology.

According to Kotter, (2007), transformations often begin and begin well when an organization has a new head who is a good leader and who sees the need for a major strategy. Kotter (1999) argues that winning in business today requires innovation; Companies that innovate reap all the advantages of a first mover. They acquire deep knowledge of new markets and develop strong relations with them. Innovators also built reputation of being able to solve most challenging problems. Hamel and Prahalad, (1994) state that, to create a new business, a Company has to regenerate its core strategy including, its market, distribution channels, customers and competitors. If Managers don’t have reasonably clear and detailed answers to tomorrow’s questions, or if the answers are not significantly different from today’s answers, then there is little chance that their Companies will remain market leaders.

The market the Company dominates today is likely to strategy substantially in future. There is no such a thing as sustaining market leadership. Every business must be regenerated again and again. As Ian P. (2006) point out, strategy today is occurring at a rate that is difficult to sustain. Globalization of markets, fluctuations in world economy, diversification in services, mergers, acquisitions and industry deregulations are but a few of the challenges faced by companies today. Companies are quickly realizing that to thrive in today's competitive environment, they must rapidly deploy new technologies to support key business objectives.
2.2.1 Historical development of strategic management

Strategic management as a discipline originated in the 1950s and 60s. Although there were numerous early contributors to the literature, the most influential pioneers were Alfred C, Philip S, Igor A., and Peter D. Alfred Chandler recognized the importance of coordinating the various aspects of management under one all-encompassing strategy. Prior to this time the various functions of management were separate with little overall coordination or strategy. Interactions between functions or between departments were typically handled by a boundary position, that is, there were one or two managers that relayed information back and forth between two departments. Chandler also stressed the importance of taking a long term perspective when looking to the future. In his 1962 groundbreaking work Strategy and Structure, Chandler showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He says it concisely, “structure follows strategy. In 1957, Philip Selznick introduced the idea of matching the organization's internal factors with external environmental circumstances.

This core idea was developed into what we now call SWOT analysis by Learned, Andrews, and others at the Harvard Business School General Management Group. Strengths and weaknesses of the firm are assessed in light of the opportunities and threats from the business environment. Igor Ansoff built on Chandler's work by adding a range of strategic concepts and inventing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies.

He felt that management could use these strategies to systematically prepare for future opportunities and challenges. In his 1965 classic Corporate Strategy, he developed the gap analysis still used today in which we must understand the gap between where we are currently and where we would like to be, then develop what he called gap reducing actions. Peter Drucker was a prolific strategy theorist, author of dozens of management books, with a career spanning five decades. His contributions to strategic management were many but two are most important. Firstly, he stressed the importance of objectives. An organization without clear objectives is like a ship without a rudder. As early as 1954 he
was developing a theory of management based on objectives. This evolved into his theory of management by objectives (MBO).

According to Drucker, (2005) the procedure of setting objectives and monitoring your progress towards them should permeate the entire organization, top to bottom. His other seminal contribution was in predicting the importance of what today we would call intellectual capital. He predicted the rise of what he called the knowledge worker and explained the consequences of this for management. He said that knowledge work is non-hierarchical. Work would be carried out in teams with the person most knowledgeable in the task at hand being the temporary leader.

2.2.2 Planning as a Process

In established organizations, people involved in the planning process often already know what exactly their strategic plan has to entail. Some may even argue that the strategic planning process itself is more important than the actual document plan. Since the beginnings of strategic planning research, there has been agreement that strategic planning is a process (Burgelman 1994). This process decides how, when and who is going to plan and how the results will be implemented. However, authors disagree as to the exact components and structure of this process. What most have in common is that they argue that planning has primarily an informational role (Steiner 1979; Mintzberg 1979b).

Steiner (1979) states that planning links three major types of plans: master strategies, medium-range programmes and short-range budgets. The strategic process therefore begins with setting organizational aims, developing strategies about how to achieve them and then refining these strategies with detailed action plans. Steiner emphasizes that planning is continuous but not an everyday phenomenon in firms. Nevertheless, plans need to be reviewed and/or amended on a regular basis to respond to changes in the environment.

The adaptive dimension relates to the co-alignment of the organization and its environment. Under the adaptive aspect, a series of decisions determines the future alignment of the firm. These decisions are made in certain contexts. First, an environmental analysis is required as the early recognition of trends is a prerequisite for
developing anticipated responses (Reinhardt 1984). Another aspect is the emphasis on fairly long time horizons in adaptive planning (Mintzberg 1973).

In addition, adaptive planning causes the generation of alternatives, flexible ideas and contingency plans. Other characteristics of adaptive planning include a focus on internationality (if applicable to the company), resource allocation, portfolio planning and the generation of investment criteria. The integrative dimension of functional planning, which should be balanced with the adaptive dimension, is concerned with continuously adapting to the environment. In the quest for diminishing threats, integrative planning involves a unity of functions or divisions that all work towards achieving the organization’s goals (Lawrence and Lorsch 1967).

Methods of achieving integration in planning include efficient communication flows, evaluation systems and teams/committees. Short- and long-term goals are both considered and the depth of communication is key to success. Another focus of the integrative dimension is the role of certain functions within the organization, such as the CEO, business unit managers and planners (where that function exists). Jennings (2000) in his study on the company PowerGen applies adaptive and integrative thinking to strategic planning and shows how the organization shifted from uncoordinated, ineffective planning to flexible scenario planning and forecasting. PowerGen is a UK based utility company that had to deal with the change from a nationalized industry to a deregulated, competitive, fast-changing environment.

The planning problems related to this change came about after the company’s privatization in 1991 as well as profitability problems in 1993-4. Prior to privatization, PowerGen’s strategic planning process was centralized at the corporate level and helped determine funds available for the company’s power stations. The process sometimes experienced timing problems with one planning cycle getting delayed, thereby overlapping with the next planning round. After privatization, the planning process remained central but scenario planning was introduced. Here, each division forecasted possible scenarios, particularly taking the competitive field into account. The development of the company’s planning procedures can be “seen as embodying change in the system’s orientation between adaptation and integration” (Jennings 2000:214). Its nowadays formal, yet flexible planning strategy enables the company to deal with issues as they arise. In addition, the case of PowerGen illustrates the need for an appropriate
commitment to the planning process throughout the organization. Dedication and participation in scenario planning are essential characteristics for the success of the process. According to Capon, Farley et al. (1987) the second approach to strategic planning is via the process approach. Simply put, the planning process involves the following variables: input process output, where input represents the prerequisites for planning such as an information base. Process is defined by the actual planning activities (such as divisional meetings) and the planning environment. Planning output includes process output and company performance. The authors conclude that a reconciliation of the functional and process approaches to planning is the most desirable method of strategic planning. Depending on the perspective one takes, certain elements of the two approaches overlap. Similarly to Capon, Farley et al. (1987), Schendel and Hofer (1979) discuss the strategic planning and formulation process. The authors acknowledge the disagreement that exists within the literature as to the components of the planning process but see certain recurring elements that most academics mention, such as environmental, resources and value analysis.

As outlined in section 2.1, the most influential writings on the topic of strategic planning stem from the 1970s and 80s. In discussion of the management of strategic adaptation, Chakravarthy and Lorange (1984) declare yet another two distinct sets of planning processes: adaptive generalisation and adaptive specialisation. While the first aims at preparing the firm for strategic responses to future environments, the latter seeks to fine-tune the strategies of the firm to achieve a better fit with the current environment. The authors thus boil the debate down to exploring new knowledge versus exploiting existing knowledge. This idea is similar to March (1991) who considers “exploration of new possibilities and the exploitation of old certainties” (p.71) in organizational learning.

The author models organizational process knowledge, finding that ‘exploration’ is the learning between organizational actors whereas ‘exploitation’ is the learning of competitive advantage in organizations. His study finds that a common pitfall is to over-concentrate on the issue of ‘exploitation’, which in the long run will be outweighed by the positive effects of ‘exploration’. The process approach to planning has continued to attract interest until fairly recently. Using information processing theory, Rogers, Miller et al. (1999) try to understand the planning-performance relationship in the context of
strategy. Regarding organizations as information-processing entities, the authors state that a firm is dependent on a combination of “decision processes, structure, and the environment of that firm” (p.568).

In other words, the firm’s strategy dictates the information-processing prerequisites that need to be fulfilled by the information capabilities of the firm’s strategic planning system. While the literature tries to emphasize that strategic planning really is a process, it is also undeniably about formalization. In a way, the planning process could be ‘decomposed’ into concrete parts that follow each other step by step (Mintzberg 1994a).

### 2.2.3 Strategy management process

The main functions of strategic management have been explained by Robbins and Coulter (1996) as identifying the organization's current mission, objectives, and strategies, analyzing the environment, identifying the opportunities and threats, analyzing the organization’s resources, identifying the strengths and weaknesses, formulating and implementing strategies, and evaluating results.

Strategic decisions determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of functional areas in the organization, have a direct influence on the administrative and operational activities, and are vitally important to long-term health of an organization (Shirley, 1982). According to Schermerhorn (1989), strategies must be well formulated and implemented in order to attain organizational objectives.

Schermerhorn (1989) determined that the strategy implementation process included the many components of management and had to be successfully acted upon to achieve the desired results. Here, the critical point is that effective and successful strategy implementation depends on the achievement of good fits between the strategies and their means of implementation. Robbins and Coulter (1996) have taken into consideration that no matter how effectively a company has planned its strategies, it could not succeed if the strategies were not implemented properly. Harrison (1996) also clarified that the more ineffective the top management decisions, the more ineffective are the choices made at lower levels of management. Similarly, if top management's strategic choices tend to be successful, it reflects favorably on choices made in other parts of the organization.
Simons and Thompson (1998) refer to three categories of factors that affected strategic decision-making process: environmental factors; organizational factors; and decision-specific factors. Here, environmental factors mean external agents such as national culture, national economic conditions, and industry conditions.

Organizational factors refer to organizational structure, organizational culture, structure of decision making bodies, impact of upward influence, and employee involvement. Decision-specific factors can be explained as time, risk, complexity, and politics. According to Porter (1979) strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses, then strategists can devise a plan of action that may include first, positioning the company so that its capabilities provide the best defense against the competitive force; and/or second, influencing the balance of the forces through strategic moves, thereby improving the company's position; and/or third, anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.

Woolridge and Floyd (1990) emphasized that the strategy implementation could be more difficult than thinking up a good strategy. Harrison and Pelletier (1998) explained that the real value of a decision surfaced only after the implementation of a decision. In other words, it will not be enough to select a good decision and effective results will not be attained unless the decision is adequately implemented. Hitt and Tyler (1991) argued that it was essential that strategic level manager's demographic characteristics should have been examined for the formulation and implementation of strategic decisions. Wessel (1993) stated that there were mostly individual barriers to strategy implementation such as too many and conflicting priorities, insufficient top team functions, a top down management style, inter-functional conflicts, poor vertical communication, and inadequate management development. They pointed out that most companies trying to develop new organization capacities failed to get over these organizational hurdles: competence, coordination, and commitment. Sandelands (1994) indicated that there were difficulties to conjecture the commitment, time, emotion, and energy needed to translate plans into action. McGrath et al. (1994) explained that the political turbulence might be the most important issue facing any implementation process.
Finally, the collective intentions must be realized with little unanticipated influence from outside political, technological, or market forces. Peng and Litteljohn (2001) noted two dimensions of strategy implementation: structural arrangements, and the selection and development of key roles. Effective strategy implementation is affected by the quality of people involved in the process. Peng and Little John (2001) claimed the quality of people as skills, attitudes, capabilities, experiences and other characteristics required by a specific task or position.

2.3 Theoretical Review

This section reviews theories and models that back up the study on the procurement strategy implementation. The first model that is reviewed includes Seven S Framework.

2.3.1 Strategic management Theories

2.3.1.1 The profit-maximizing and competition-based theory

The theory is based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place.

The industrial-organization (I/O) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981).

2.3.1.2 The resource-based theory

The theory stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).
2.3.1.3 The survival-based theory

The theory centers on the concept that organization need to continuously adapt to its competitive environment in order to survive. This differs to the human resource-based theory, which emphasizes the importance of the human element in the strategy development of organizations. In addition, the agency theory stresses the underlying important relationship between the shareholders or owners and the agents or managers in ensuring the success of the organizations. Finally, the contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. In short, during the process of strategy formulation, implementation and evaluation, these main strategic management theories will be applicable to management of organization as tools to assist them in making strategic and guided managerial decision. These strategic management theories can best be depicted as per Figure 2-1. Therefore, in this paper, besides the systems perspective, contingency approach and the other main strategic management theories mentioned above, the resource-based theory or view (RBV) of the firm's competitive advantage in particular will be the underlying theoretical foundation applied and fundamental basis of the variables and their ensuing relationships that are being studied.

![Figure 2 - 1: Strategic Management Theories](Source: Khairuddin Hashim, (2005))
2.3.2 Strategy Management Models

2.3.2.1 Seven's Framework (McKinsey 7S model)

This model first appeared in *The Art of Japanese Management* by Richard Pascale and Anthony Athos in 1981. They had been looking at how Japanese industry had been so successful, at around the same time that Tom Peters and Robert Waterman were exploring what made a company excellent. The Seven S model was born at a meeting of the four authors in 1978. It went on to appear in "In Search of Excellence" by Peters and Waterman, and was taken up as a basic tool by the global management consultancy McKinsey. The model is also sometimes referred to as the McKinsey 7S model.

According to the model, managers need to take account of seven basic factors to be sure of successful implementation of a strategy. These include Strategy, Structure, Systems, Style, Staff, Super-ordinate Goals and Skills. These factors are all interdependent, thus failure to pay proper attention to one, marks the beginning of failure (Khan, J.V. (1993).

![McKinsey 7S model](image)

Figure 2 - 2: McKinsey 7S model

*Source: Pascale et al, (1981).*
This model has been found applicable in implementing various strategies in organizations. In the current study, the model can be used in implementing procurement strategy. This process, as highlighted by figure 2.2 above requires to be guided by organization's goals, activities carried out by skilled personnel. The whole process must also be based on organizational structure with top managers guiding the entire process. McKinsey's (1982) model describes the seven factors critical for effective strategy execution. The 7-S model identifies the seven factors as strategy, structure, systems, staff, skills, style/culture, and shared values. Strategy is the positioning and actions taken by an enterprise, in response to or anticipation of changes in the external environment, intended to achieve competitive advantage.

Structure refers to the way in which tasks and people are specialized and divided, and authority is distributed; how activities and reporting relationships are grouped; the mechanisms by which activities in the organization are coordinated (Kaplan, 2005). Systems refer to the formal and informal procedures used to manage the organization, including management control systems, performance measurement and reward systems, planning, budgeting and resource allocation systems, and management information systems. Staff refers to the people, their backgrounds and competencies; how the organization recruits, selects, trains, socializes, manages the careers, and promotes employees. Skills refer to the distinctive competencies of the organization; what it does best along dimensions such as people, management practices, processes, systems, technology, and customer relationships (Kaplan, 2005).

Culture refers to the leadership style of managers how they spend their time, what they focus attention on, what questions they ask of employees, how they make decisions; also the organizational culture (the dominant values and beliefs, the norms, the conscious and unconscious symbolic acts taken by leaders (job titles, dress codes, executive dining rooms, corporate jets, informal meetings with employees). Lastly, shared values refer to the core or fundamental set of values that are widely shared in the organization and serve as guiding principles of what is important; vision, mission, and values statements that provide a broad sense of purpose for all employees (Kaplan, 2005). The 7-S model posits that organizations are successful when they achieve an integrated harmony among three "hard" "S's" of strategy, structure, and systems, and four "soft" "S's" of skills, staff, style, and super-ordinate goals, (Kaplan, 2005).
Lynch and Cross (1995) identify three criteria that must be met by performance management systems if they are to effectively mediate between an organization's strategy and its day-to-day activities. These “necessary” conditions comprise: that the system must explicitly link operational targets to strategic goals; it must integrate financial and non-financial performance information; and the system should focus business activities on meeting customer requirements. It is asserted that the balanced scorecard model fundamentally meets all of these criteria by providing a truly strategic control system that puts strategy and vision at the centre (Kaplan and Norton, 1992).

2.3.2.2 Mintzberg's Model

This model is based on the concept that strategy implementation should have its foundation in strategy formulation. Mintzberg claims that some organizations begin implementing strategies before they clearly articulate mission, goals, or objectives. In this case strategy implementation actually precedes strategy formulation. He calls strategies that unfold in this way emergent strategies. Implementation of emergent strategies involves the allocation of resources even though an organization has not explicitly chosen its strategies. Most organizations make use of both deliberate (based on goals objectives) and emergent strategies (Barnat, 2005).

Whether deliberate or emergent, however, a strategy has little effect on an organization's performance until it is successfully implemented. This model finds its application in this study based on what it posits about the implementation of deliberate strategy. Public procurement is one strategy that came about as a result of government deliberations which were based on certain goals and objectives.

2.3.2.3 Michael Porter Value Chain Model

Value Chain Model (Porter1998) of competitive advantage means that every activity in an organization must be value adding hence the need to implement strategies which meet this objective.
As shown by Figure 2-3 above: Value chain framework consists of two key components, namely primary and support activities. Primary activities are those that are directly concerned with creating and delivering a product (e.g. component assembly). Support Activities on the other hand are those activities which are not directly involved in production but may increase the effectiveness or efficiency of an organization (Porter, 1998). This study focuses on the procurement which is one of the key support activities that adds value to an organization. It concerns how resources are acquired for a business (e.g. sourcing and negotiating with materials suppliers). In implementing procurement strategy, organizations are faced with a number of hurdles. This study examines the key factors facing public institutions in procurement strategy implementation and need to implement strategies which add value.

### 2.3.2.4 The Classical Process Model

This model was proposed by Andrews (1971) and it divided strategy process into two phases namely formulation and implementation. This is a purely synoptic model with emphasis on rational and comprehensive processes. The formulation phase deals with strategic decision-making and the implementation phase deals with the transformations of the decisions into actions for generating pre-defined output. According to Andrews (1971), strategy formation is an explicit and creative act by management. According to the author
the formulation phase has four elements. The process begins with identification of opportunities and threats in the company's environment and attaching some estimate of risk to the discernible alternatives.

Then the resources available to the company should be appraised and the firm's actual or potential capacity to take advantage of perceived market needs or to cope with attendant risks should be estimated as objectively as possible. The choice resulting from the process of matching the opportunities and threats with the corporate capabilities at an acceptable level of risk is termed as economic strategy. These two steps can be regarded as the intellectual processes of determining what an organization might do in terms of environmental opportunity and evaluating what it can do in terms of its capabilities and arriving at optimal equilibrium. Finally, the ethical aspect should be considered by examining the alternative against the expectations of society.

The implementation process of strategy, according to Andrews (1971) is comprised of a series of activities which are administrative in nature. This include mobilization of resources, devising an organizational structure suitable for carrying out the required tasks, designing performance measurement, compensation, management development based on incentives and controls and providing effective leadership. This model is depicted in Figure 2-4 below.
2.3.2.5 Porter’s Five Forces Model

Michael Porter (Harvard Business School Management Researcher) designed various vital frameworks for developing an organization’s strategy. One of the most renowned among managers making strategic decisions is the five competitive forces model that determines industry structure. According to Porter, the nature of competition in any industry is personified in five forces. The five forces are the threat of new potential entrants, the threat of substitute product/services, the bargaining power of suppliers, the bargaining power of buyers and finally the rivalry among current competitors.
The five forces mentioned above are very significant from the point of view of strategy formulation. The potential of these forces differs from industry to industry. These forces jointly determine the profitability of the industry because they shape the prices which can be charged, the costs which can be borne, and the investment required to compete in the industry. Before making strategic decisions, the managers should use the five forces framework to determine the competitive structure of the industry.

Let's discuss the five factors of Porter's model in detail:

**Risk of entry by potential competitors:** Potential competitors refer to the firms which are not currently competing in the industry but have the potential to do so if given a choice. Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The threat of entry by potential competitors is partially a function of extent of barriers to entry. The various barriers to entry are: Economies of scale, Brand loyalty, Government Regulation, Customer Switching Costs, Absolute Cost Advantage, Ease in distribution and Strong Capital base.

**Rivalry among current competitors:** Rivalry refers to the competitive struggle for market share between firms in an industry. Extreme rivalry among established firms poses a strong threat to profitability. The strength of rivalry among established firms within an
industry is a function of following factors: extent of exit barriers, amount of fixed cost, competitive structure of industry, presence of global customers, absence of switching costs, growth Rate of industry and demand conditions

Bargaining Power of Buyers: Buyers refer to the customers who finally consume the product or the firms who distribute the industry’s product to the final consumers. Bargaining power of buyers refer to the potential of buyers to bargain down the prices charged by the firms in the industry or to increase the firms cost in the industry by demanding better quality and service of product. Strong buyers can extract profits out of an industry by lowering the prices and increasing the costs. They purchase in large quantities. They have full information about the product and the market. They emphasize upon quality products. They pose credible threat of backward integration. In this way, they are regarded as a threat.

Bargaining Power of Suppliers: Suppliers refer to the firms that provide inputs to the industry. Bargaining power of the suppliers refer to the potential of the suppliers to increase the prices of inputs (labour, raw materials, services, etc) or the costs of industry in other ways. Strong suppliers can extract profits out of an industry by increasing costs of firms in the industry. Suppliers’ products have a few substitutes. Strong suppliers’ products are unique. They have high switching cost. Their product is an important input to buyer’s product. They pose credible threat of forward integration. Buyers are not significant to strong suppliers. In this way, they are regarded as a threat.

Threat of Substitute products: Substitute products refer to the products having ability of satisfying customer’s needs effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a setting a limit on the price that firms can charge for their product in an industry. Lesser the number of close substitutes a product has, greater is the opportunity for the firms in industry to raise their product prices and earn greater profits (other things being equal).

The power of Porter’s five forces varies from industry to industry. Whatever be the industry, these five forces influence the profitability as they affect the prices, the costs, and the capital investment essential for survival and competition in industry. This five forces model also help in making strategic decisions as it is used by the managers to determine industry’s competitive structure.
Porter ignored, however, a sixth significant factor—complementaries. This term refers to the reliance that develops between the companies whose products work in combination with each other. Strong complementors might have a strong positive effect on the industry. Also, the five forces model overlooks the role of innovation as well as the significance of individual firm differences. It presents a stagnant view of competition.

2.3.3 Organizational Performance

According to Fenwick and De Cieri (1995) and Hitchcock (1992), performance management is the process of transforming strategic objectives into action, monitoring progress, and rewarding results. Definitions of performance management as a holistic, or integrated, strategic approach, thus extending the concept beyond performance appraisal, are now in common use. For example, a process for establishing shared understanding about what is to be achieved, and approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term (as cited in Fenwick, De Cieri and Welch, 1999).

Further, performance management plays an important role in performance feedback, individual job assignments, development planning and identification of training. From the manager’s perspective, performance ensures that individual employees or teams know what is expected of them and they stay focused on effective performance (as cited in Stahl, Bjorkman and Cebula, 2006, p. 179). Vance and Paik (2006) also relate that that an effective performance management should entail an ongoing professional and productive organizational learning and so the requirement for the individual expatriate to commit to continual reflection regarding the expatriation experience (p. 258). Performance therefore contributes to the growth and success of the company especially through the combination of competences and expertise within the organization.

The primary goals of organizational performance are to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and services. Another area in organizational performance that sometimes targets continuous improvement is organizational efficacy, which involves the process of setting organizational goals and objectives in a continuous cycle. Organizational performance at the operational or individual employee level usually involves processes such as statistical
quality control. At the organizational level, performance usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the viewpoint of customers (Robert, 2001).

In an increasingly dynamic and information-driven environment, the quest by business leaders and management researchers for performance measures which reflect competitive productivity strategies, quality improvements, and speed of service is at the forefront of managing company performance to be meaningful, company performance should be judged against a specific objective to see whether the objective is achieved. Without an objective, a company would have no criterion for choosing among alternative investment strategies and projects. For instance, if the objective of the company is to maximize its return on investment, the company would try to achieve that objective by adopting investments with return on investment ratios greater than the company's current average return on investment ratio (Brah et al 2000).

The selection of the most appropriate performance indicators is however, an area with no defining boundaries as there are a number of purposes to which performance Measurement can be put, although not all performance measurement can be used for all purposes Even though individual firms tend to utilize firm-specific performance indicators appropriate to their needs, for many firms the main performance indicators would typically include some combination of financial; market/customer; competitor; human resource; internal business process; and environmental indicators (Camp 2008).

2.4 Empirical Review
The review is organized according to the major areas of investigation: The section consists of the effects of strategic planning practices on performance of CoDF in Kenya.

2.4.1 Strategy Formulation
At the core of the strategic management process is the creation of goals, a mission statement, values and organizational objectives. Organizational goals, the mission statement, values and objectives guide the organization in its pursuit of strategic opportunities.
It is also through goal setting that managers make strategic decisions such as how to meet sales targets and higher revenue generation. Through goal setting, organizations plan how to compete in an increasingly competitive and global business arena.

Goals affect performance by directing attention, mobilizing effort, increasing persistence, and motivating strategy development. Goal setting is most likely to improve task performance when the goals are specific and sufficiently challenging, feedback is provided to show progress in relation to the goal, rewards such as money are given for goal attainment, the experimenter or manager is supportive, and assigned goals are accepted by the individual. No reliable individual differences have emerged in goal-setting studies, probably because the goals were typically assigned rather than self-set. Need for achievement and self-esteem may be the most promising individual difference variables.

Recognizing that previous research on the effects of goal setting has been investigated in mostly routine task environments, we suggest that team-level goal setting also has positive effects on team performance in innovative projects. For teams with innovative tasks (e.g., developing new software solutions), goal setting works to reduce uncertainty about the qualitative properties of the output expected (i.e., software functionality, robustness, and performance) as well as the time and budget constraints of the project. Thus, clear goals are likely to result in higher effectiveness and efficiency because as opposed to vague or no goals, teams are provided clearer direction and therefore are better able to determine appropriate procedures, allocate tasks, and focus their efforts on getting the job done.

In addition to the clear positive relationship between goal setting and performance, we also propose that the relationship be moderated by teamwork quality. Innovative projects inevitably involve some degree of ambiguity and uncertainty (Sicotte & Langley, 2000). In such projects, there is a lack of knowledge of future events and the consequences of specific actions are also unknown (Daft & Lengel, 1986). As a consequence, achieving goals in more innovative projects is also more problematic than in routine projects. However, we propose that if a team has a higher degree of collaboration (i.e. higher teamwork quality); it is more likely to have the ability to deal with uncertainty and unpredictability, thus a higher likelihood of successfully achieving the set goals.
As teams encounter frequent issues and problems in innovative projects, higher teamwork quality can enhance the team’s ability to find solutions to problems. Through collaborative interaction, team members can freely exchange ideas and interpretations and develop a more common understanding of problems (Sicotte & Langley, 2000), thus enhancing the probability of finding reasonable solutions. Furthermore, higher teamwork quality also implies that the team members are interacting frequently to monitor their progress on achieving the goals. Thus, higher teamwork quality not only ensures that teams are aware of their progress but also aids them in planning project milestones and deadlines.

In addition to helping teams monitor their progress, finding solutions to problems, and ultimately better helping teams successfully achieve their goals, high teamwork quality has other substantial effects. First, for team members to contribute to the successful achievement of goals, they have to believe that the goals are realistically attainable. If there is a high level of teamwork quality, team members can interactively operationalize the team goals and thus gain confidence in the team and the objectives it established.

Furthermore, high levels of team collaboration also implies that team members are on the same wavelength with each other and are more likely to trust their leader’s and other team members’ assessments regarding the attainability and realism of their goals, thus enhancing the probability of successfully achieving set goals. Second, high teamwork quality also means that necessary efforts and expertise is being used to successfully complete goals.

As such, social loafing is not likely to be a problem because all team members are actively collaborating to complete the project and achieve goals (Latane, 1979). Third, if members are willing to help each other, they can help foster higher levels of self-efficacy in team members who would otherwise have difficulty completing their tasks. As a consequence, higher teamwork quality can enhance the team’s ability to achieve its set goals. The above suggests that in addition to the established research that has already shown that goal setting increases team performance, higher teamwork quality should strengthen the positive relationship between goal setting and performance.

Strategy formulation is the development of long range plans for the effective management of environmental opportunities and threats in light of corporate strengths and weaknesses. It includes defining the corporate mission, specifying achievable objectives, developing
strategies and setting policy guidelines. It begins with situational analysis. The simplest way is to analyze through is SWOT analysis. This is the method to analyze the strengths and weakness in order to utilize the threat and to overcome the threat. SWOT is the acronym for Strength, Weakness, Opportunities and Threats. The TOWS matrix illustrates how the external opportunities and threats facing a particular corporation can be matched with that company's internal strengths and weaknesses to result in four sets of possible strategic alternatives.

In his influential article on strategy formulation, Mintzberg (1973) identified three planning modes: entrepreneurial, adaptive and planning. This publication even at that time pointed towards a move that was to intensify in later years: away from the analytic, data-based, formal planning process towards a value-based, incremental approach (Wheelwright 1984). In the latter, a set of beliefs and convictions about how the firm conducts its business and the collective understanding of managers is key to successful planning. These values may even override the concerns for functional divisions. Capon, Farley et al. (1987) explore the nature of strategic planning and contrast a so-called functional approach with the process approach. The authors propose that the functional approach (why planning is conducted) can be explained on two levels: the adaptive dimension and the integrative dimension.

2.4.2 Strategy Implementation

Strategy implementation is the process by which strategies and policies are put into action through the development of programs. This might involve changes within the overall culture, structure and/or management system of the entire organization. Strategies are implemented through a set of programs, budgets and procedures. Strategy implementation is the critical link between formulation of strategies and superior organizational performance (Noble and Mokwa, 1999). Nutt (1999) studied strategic decisions in organizations located in the USA and Canada and concluded that half of the strategic decisions failed to attain their initial objectives mainly because of the problems during strategy implementation process.

Even though the stream of research which deals with strategic decision making is well developed, there are only a few empirical studies on strategy implementation. A
A comprehensive review of strategy implementation literature revealed that only very few studies have examined the relationship between strategy implementation and performance (e.g. Hickson, Miller & Wilson, 2003). The literature review also identified the main problems in implementing strategies and the key attributes of successful strategy implementation. This study attempts to identify the causes of performance among organizations by examining their level of emphasis on strategic management, clarity in business-level strategy and the level of emphasis on planning of strategy implementation. The unique feature of this research is that it takes an integrated approach and looks into the strategy formulation and implementation process by examining the three elements simultaneously in a single study.

Effective organization design directed toward strategy implementation is a potential contributor to performance of an organization (Galbraith & Kazanjian, 1986). Strategy implementation is the critical link between formulation of strategies and superior organizational performance (Noble and Mokwa, 1999). Nutt (1999) studied strategic decisions in organizations located in the USA and Canada and concluded that half of the strategic decisions failed to attain their initial objectives mainly because of the problems during strategy implementation process. Even though the stream of research which deals with strategic decision making is well developed, there are only few empirical studies on strategy implementation.

### 2.4.3 Environmental Scanning

Environmental scanning is the monitoring, evaluating, and disseminating of information to key managers within the organization (Snyder, 1981). It is an important aspect of strategic management because it serves as "the first link in the chain of perceptions and actions that permit an organization to adapt to its environment" (Jennings & Lumpkin, 1992: 791). Environments pose important constraints and contingencies for organizations, and their competitiveness depends on their ability to monitor and adapt their strategies based on information acquired through environmental scanning activities (Boyd & Fulk, 1996). The empirical evidence is divided on whether or not environment moderates the relationship between strategic planning and performance and business-level strategy and performance.
The findings of some studies indicate that the rational choice mode of strategy making is beneficial in stable environments and harmful in dynamic environments (e.g. Fredrickson, 1984; Fredrickson and Mitchell, 1984). On the other hand some other studies indicate that planning rationality leads to higher performance in dynamic environments (e.g. Miller and Friesen, 1983; Eisenhardt, 1989; Judge and Miller, 1991; Goll & Rasheed, 1997). There is a need to conduct further studies to examine the moderating effect of the environment on the relationship between strategic planning and performance because findings of previous research are contradictory.

This study examines such a relationship among TJK based manufacturing organizations. Miller (1988, 1991) suggested that a cost-related strategy would be more suitable in stable environments and a differentiation strategy would be more advantageous for the organizations operating in dynamic environments. Prescott (1986) found that the environment moderated the strength of relationship between strategy and performance. Lee and Miller (1996) in a study conducted among Korean companies found that those companies using emergent technologies performed well if they employed differentiation strategies in uncertain environments and cost-related strategies in stable environments. Due to bounded rationality and organizational filters not all opportunities and threats are perceived by decision-makers. In addition, not all environmental information may be categorized in the same manner by all organizations. The same issue could be categorized by one organization as an opportunity and by another as a threat based on the organization's filters.

This is often termed selective perception (Dearborn & Simon, 1959) because it causes the environmental scanning process to focus on what is needed to execute the organization's strategy and to ignore information that seems irrelevant to that strategy (Thomas & McDaniel, 1990). As an example of this, Dutton and Jackson (1987:79) suggest that for a prospector, per Miles and Snow's (1978) classification, "issues arising from competitors' new product developments easily penetrate this strategic filter." If an organization understands the environment in which it operates, half the problem is solved. This requires an analysis of what is happening outside the organization and an evaluation of current resources (strength and weaknesses) and an assessment of opportunities and threats present in the environment. Environment could be classified as external and internal.
2.4.4 Evaluation and Control

Evaluation and control is the process in which corporate activities and performance can be compared with desired performance. Managers at all levels use the clear, prompt, unbiased information from the people below the corporation's hierarchy to take corrective action and resolve problems. It can also pinpoint weaknesses in previously implemented strategic plans and this stimulates the control of performance. The evaluation and the control of performance complete the strategic management model. Based on the performance results, management may need to make adjustments in its strategy formulation or implementation or both (Lee and Miller, 1996).

Thus, a strategic decision making process involves the following seven steps:
- Evaluate current performance results in terms of return on investment, profitability in the light of current mission, objectives and policies,
- Scan and assess the external environment to determine the strategic factors that pose opportunities and threats,
- Scan and assess the internal corporate environment to determine the strategic factors that are strengths and weaknesses.
- Analyze strategic factors to pinpoint a) problem areas and b) review and revise the corporate missions and objectives as necessary.
- Generate, evaluate and select the best alternate strategy in light of the analysis conducted in step 4.
- Implement selected strategies via programs, budgets, and procedures.
- Evaluate implemented strategies via feedback systems and the control of activities to ensure their minimum deviation from plans.

2.5 Literature review and Research Gap

This study will tend to fill that gap by exploring the role that strategic management practices plays in performance of CoDF. Many organizations are characterized by high levels of risk and uncertainty (Hamilton and Dibner, 2010). Other firms are particularly vulnerable to change due to their limited resource bases and inabilities to survive the consequences of poor strategic management practices. The firms have therefore witnessed a wave of newly formed firms throughout its entire history. Some have been vulnerable to the challenges posed and have therefore fallen short of expectations from the global view (Motari, 2004). Other firms have continually demonstrated a wave of disappointing economic performance (Pisano, 2006).

The challenges facing the firms above are well documented (Duhaime, 2011), one of the reasons could be that they lack strategic management skills and abilities (Beaver, 2007). It
would therefore be interesting to explore what the strategic management practices in firms are like. This research topic was chosen because there is no evidence of research performed on strategic management practices of CoDF. The study will examine the strategic management practices of CoDF and compare them to various schools of thought related to strategic management.

The study intends to post strategic management as a set of ideas, strategies and skills that can be applied to engage strategy effectively, during planning, implementation and supporting continuous improvement following strategy.

2.6 Conceptual Framework

Strategic planning practices and challenges depend on several factors. In this study, there are various factors that are hypothesized to be related to development. Figure 2-3 below shows the relationship between the variables involved in this study. The independent variables in this study are the strategic planning practices. The changes in these variables influence the successful management of CoDF.

![Conceptual Framework Diagram](image)

Figure 2 - 5: Conceptual Framework

Source (Tesot, 2012)
2.6.1 Operationalization of the Study Variables.

The study has been conceptualized on a framework illustrating the relationship between independent variables (strategy formulation, strategy implementation, environmental scanning and evaluation and control) and the dependent variable (performance of Coffee Development Fund) as indicated in Figure 2-4 above. The changes in the independent variables influence the performance of CoDF which influence growth in terms of repayment rate, operation efficiency, increase in loans disbursed and employee productivity.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section presented the different methods that the researcher was to use to collect, analyze, present and discuss the findings of the study. This included details on the research strategy, the different categories of respondents and how data was to be collected during fieldwork. The ways through which the different sets of data were to be analyzed and presented was discussed in this chapter.

3.2 Research Design

This research design used a descriptive survey design; this was because the subjects were observed in their natural set up without manipulation of the environment. According to Mugenda and Mugenda (2003), descriptive survey is a method which enables the researcher to summarize and organize data in an effective and meaningful way. Cooper and Schindler (2003) stress that descriptive survey method provides tools for describing data that will be collected of statistical observations and reducing the collected information to an understandable form. The study employed both qualitative and quantitative techniques for maximum effectiveness of data collection. Therefore, the descriptive survey was deemed the best strategy to fulfil the objectives of this study.

3.3 Target Population

The population of the study consisted of managers, coordinators and officers, and subordinate staff at the Head office branch. The total staff population at the Head Office stands at 32 as indicated in table 3 - 1 below, these were the people best placed to provide the required data. They consisted of three managers, nineteen coordinators and officers and ten subordinate Staff.
Table 3 - 1: Distribution of Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Coordinators and Officers</td>
<td>19</td>
<td>59.38</td>
</tr>
<tr>
<td>Subordinate Staff</td>
<td>10</td>
<td>37.42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: CoDF: Human Resource Department 2012

3.4 Sampling Technique and Sample Size

The researcher conducted a census study of all the 32 staff at CoDF. The technique produced estimates of overall population parameters with greater precision. Mugenda and Mugenda (2003) argue that for a sample to be representative enough, it should be at least 10% of the target population if the sample size is more that 1,000 otherwise the percentage should be increased. Since the sample size here was less than 1,000, (Cooper 2,000), the researcher selected all the staff of CoDF which translated to 32 respondents. This sample size was considered representative and comprehensive in the coverage of the study objectives and economical in terms of time and money.

3.5 Data Collection

Both primary and secondary sources of data were used to obtain information for the study.

3.5.1 Data Collection Instruments

The research utilized two types of data; these were primary and secondary data. For primary data, the researcher was able to collect first-hand information from the respondents. The researcher used the questionnaire to collect primary data from the various categories of staff. The primary data was useful to the researcher because it was reliable and accurate. The secondary data was also very important in the study. The researcher collected important information from the library books, annual reports, journals and publications from research institutions.
3.5.2 Validity and Reliability

To test the validity of the instruments used in the study, a pilot study was conducted and the questionnaires revised to make them more valid and to identify any problems that the respondents would encounter in the process of answering the questions put to them. The pilot study was carried out in one of the units. The piloted questions will then be revised and ambiguous items modified or removed. The piloted unit was not included in the study sample.

Also, two research experts were used to evaluate the relevance of each item in the instrument to the objectives and rate each item on the scale of; very relevant (4), quite relevant (3), somewhat relevant (2), and not relevant (1). Validity was determined using Content Validity Index (C.V.I). $C.V.I = \frac{\text{Items rated 3 or 4 by both judges}}{\text{Total number of items in each research instrument}}$.

This was symbolized as $n_{3/4}/N$.

Where:

$n_{3/4}$ = Number of items rated as very relevant and quite relevant
$N$ = Total number of items in the research instruments.

*Items with a validity and reliability coefficients of at least 0.70 are accepted as valid and reliable in research* (Kathuri & Pals, 1993).

On the other hand, reliability was tested using the test retest technique. Here, the research instruments were administered to the sample respondents in an interval of one week. The researcher was then to gauge whether the instruments would elicit the same responses in both instances.
3.5.3 Data Collection Procedure

A pilot investigation will first be conducted in order to assess the adequacy of the research design and of the questionnaire to be used such as to determine whether the anticipated respondents understands the questions asked in the instrument. A small sample of five (5) staff representing the entire sample will be selected randomly during pilot testing. The results of the pilot testing will help in revising the questionnaire to be appropriate for the study. The questionnaires will be administered through “drop and pick” later method. The data collecting instruments will be designed so as to collect data that addresses the problem of the study and achieve the research objective. Data collection is expected to last ten (10) days.

3.6 Data Analysis and Presentation

The research utilized two types of data; these were primary and secondary data. For primary data, the researcher was able to collect first-hand information from the respondents. The researcher used the questionnaire to collect primary data from the various categories of staff. The primary data was useful to the researcher because it was reliable and accurate. The secondary data was also very important in the study. The researcher collected important information from the library books, annual reports, journals and publications from research institutions.

3.7 Ethical Consideration

The following ethical considerations were taken into consideration during the study; the need for approval of the research proposal by the school of business, Kenyatta University was essential and mandatory to give validity to the document and to show that the study had been done according to approved research standards and practices. Informed consent from the participants was sort beforehand and the maintenance of confidentiality will be vital especially for participants who would like to remain anonymous for either official or personal reasons for fear of reprisals or otherwise.
CHAPTER FOUR: RESEARCH FINDINGS

4.1 Introduction

This chapter presents the study findings. It includes the demographic characteristics of the respondents followed by an explication of the findings from the study with regards to four main areas namely: The role of strategy formulation on performance of CoDF in Kenya, The role of implementation on performance of CoDF in Kenya, The effect of environmental scanning on performance of CoDF in Kenya and The role of evaluation and control on performance of CoDF in Kenya

4.2 Background information

The study involved all the 32 staff of CoDF, Kenya. The study set out to look at effects of strategic management practices on performance of CoDF, Kenya. Data was collected using questionnaires and were later analyzed using descriptive statistics and factor analysis.

Table 4.1: Demographic Characteristics of Target Population (n=32)

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency (n)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>22</td>
<td>68.75</td>
</tr>
<tr>
<td>Female</td>
<td>10</td>
<td>31.35</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 – 30 Years</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>31 – 40 Years</td>
<td>18</td>
<td>56.25</td>
</tr>
<tr>
<td>41 – 50 Years</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>51 Years &amp; Above</td>
<td>2</td>
<td>6.25</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form Four Leaver</td>
<td>5</td>
<td>15.63</td>
</tr>
<tr>
<td>Post Secondary Diploma</td>
<td>5</td>
<td>15.63</td>
</tr>
<tr>
<td>Graduate</td>
<td>20</td>
<td>62.5</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>2</td>
<td>6.25</td>
</tr>
<tr>
<td>Designation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---</td>
<td>------</td>
</tr>
<tr>
<td>Subordinate Staff</td>
<td>10</td>
<td>31.25</td>
</tr>
<tr>
<td>Coordinators and Officers</td>
<td>19</td>
<td>59.38</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>3</td>
<td>9.38</td>
</tr>
</tbody>
</table>

Source: (Survey Data 2012)

Of the 32 employees surveyed 68.75% (22) were male while 31.25% (10) were female. Respondents between the ages 21 and 30 comprised 12.5% (4), between 31 and 40 were 56.25% (18), those between 41 and 50 were 25% (8) and finally those who were 51 and above were 6.25% (2). Respondents who are form four leavers and have post secondary education were each 15.63% (5) of the respondents.

![Figure 4.1 who formulate strategy in the organization?](source)

Source: (Survey Data 2012)

We sought to assess the role of strategy formulation on the performance of CoDF in Kenya. To understand this better we endeavored to find out the people who formulate strategy in the organization, the duration within which strategies were formulated and
passed as well as the extent to which strategy formulation enhances the performance of the organization.

To understand who formulates strategy at CoDF Kenya, we asked our respondents the question “Who formulates strategies in the organization?”

As shown in Figure 4.2.1 a majority of the respondents were of the opinion that the formulating of the organizational strategies is to an extremely large extent done by the board. 68.75% of the respondents thought the board plays the greatest role, while 15.63% were of the opinion that they play a large role, and another 15.63% thought they formulate only to a moderate extent. No respondent was of the opinion that they formulate to a small extent or no extent at all. However the respondents seemed to be spread out as far as the stakeholders are concerned. 31.25% of all respondents believe that stakeholders do not formulate strategies at all while an equal number believes that they are the ones who formulate strategies. A worrying trend is indicated by 62.5% of the respondents reporting that beneficiaries do not formulate strategies at all. This calls to question the success rate of such strategies since the beneficiaries are relegated to the position of passive partakers and receivers of strategic plans.

![Figure 4.2 Role of strategy formulation on performance of CoDF in Kenya.](source: (Survey Data 2012))
We sought to find out about the role of strategies formulation in enhancing the performance of the organization. We asked our respondents: "To what extent does strategy formulation enhance performance?" 62.5% of all respondents reported that it enhances it moderately, while a smaller percentage of respondents (15.63%) said that it enhanced to a large extent and a similar proportion said to a large extent. These responses can echo the feelings of the respondents when they said that strategy was to a large extent formulated by the board. Therefore once it has been formulated high up in the hierarchy, it becomes an external entity and they don't own it. Therefore it minimally changes the way they do things.

![Figure 4.3 - People who implement organizational strategies](Survey Data 2012)

At this level we sought to establish the role of strategies implementation on performance of CoDF in Kenya. We requested to know the people in charge of implementing strategies, the duration within which strategies are passed and implemented, the factors that make strategies non-workable and unsustainable as well as the extent to which strategic implementation enhances performance. We asked our respondents: "Who implements
strategies in the organization?” From Figure 4.3.2 it can be deduced that a majority of the respondents believe that strategies are implemented by stakeholders 21.88% are to the opinion that stakeholders do so moderately, 24.99% to a large extent and 50% to extremely large extent. The board were second, this is deduced from 62.5% who reported that they do so moderately, 6.25% to a large extent and 25% who respond to a large extent. Beneficiaries are deemed to be least involved in implementation, owing to 21.88% and 15.63% who were of the opinion that beneficiaries do not implement at all and do so to a small extent respectively.

We also sought to find out about the factors that make strategies non-workable and unsustainable. We asked our respondents: “What makes strategies non-workable and unsustainable?” As shown in Figure 4.5 a majority of the respondents reported that the policies were not SMART (68.75% and 31.25%) as well as lack of beneficiary participation (6.25%, 50% and 43.75%). This seems to resonate with their earlier views and opinions that they (stakeholders and beneficiaries) were rarely involved in the initial stages of strategies formulation. Therefore when the strategies are finally introduced in the

Figure 4.4 – Factors making Strategies non-workable and unsustainable

Source: (Survey Data 2012)
organization the stakeholders and beneficiaries develop apathy and indifference to the new ideas however brilliant they maybe. Majority of employees (62.50%) believe that communication breakdown makes strategies unsustainable to a small extent.

Figure 4.5 - Role of Strategic Plans' Implementation in enhancing Performance
Source: (Survey Data 2012)

We sought to find out the extent to which strategic plans' implementation enhanced the performance of the organization. As indicated in Figure 4.6 a majority of the respondents (47%) felt that it only moderately enhanced the performance while 31% of all respondents felt that it enhanced the performance to an extremely large extent. Only a small number of respondents (9%) felt that strategies were implemented to a small extent.
Under this section we sought to find out how both the internal and external environment affect the performance of the organization. We posed a number of questions and situations to the respondents to elicit responses. From Figure 4.7 it can be observed a majority of the respondents (78.13%) believed that the operations in the external environment affect the organization positively. Additionally an average group of respondents (46.88% and 43.75%) reported that the involvement in daily planning of the operations had brought efficiency in the organizational operations. However more than half of the respondents (56.25%) felt that there weren’t any or there were very few opportunities in the external environment that the organization could take advantage of. An average number of respondents (46.88%, 31.25% and 9.58%) felt that there were positive challenges and threats that were facing the organization in its’ external environment.
In any project or strategic plan, monitoring, evaluation and control play an important role so as to ensure that formulated objectives are met as well as keeping within the timeframe allocated for the project. In this section we sought to establish the role of evaluation and control on performance of Coffee Development Fund in Kenya. We investigated a number of issues including general aspects of evaluation and control, factors hindering evaluation and control in the organization, the extent to which evaluation and control is conducted at different phases of the strategy, the people involved in the evaluation and control and the perceived role of evaluation and control on socio – economic performance.

We painted a number of scenarios to elicit responses on the general aspects of evaluation. On involvement, a majority of the respondents (9.38% and 56.25%) reported that evaluation and control as a process involves employees to no extent and small extent respectively. 56.25% responded to moderately, 18.75% for both large and extremely reporting that evaluation and control is carried out periodically. Majority of respondents reported that outcomes of the evaluation process are communicated, owing to only 3.13% responding to small extent and none to no extent.
56.25% of the respondents reported that evaluation and control is done both internally and externally while 46.88% of the respondents reported that monitoring and evaluation is carried out in the organization. (Figure 4.8)

![Bar chart showing factors hindering evaluation and control of strategies](image)

Figure 4.8 – Factors hindering evaluation and control of strategies

Source: (Survey Data 2012)

We went further to try and understand the factors that hindered the evaluation and control of strategies. 59.38% of all respondents reported the lack of a monitoring and evaluation specialist to actually conduct the monitoring and evaluation function. This means that a very vital content of the strategy is not addressed and therefore nothing much is learnt from a failed strategy. This results in a number of strategies failing each time they are attempted to be implemented or carried through. 56.25% of the respondents reported that the monitoring and evaluation was simply not part of or a component of the project while 53.13% of the respondents simply said that the monitoring and evaluation component was usually simply ignored. 40.63% cited lack of proper planning as the major hindrance of to the evaluation and control of strategies. (Figure 4.9)
We sought to find out how often evaluation and control of strategies took place in the organization. A majority of the respondents 37.5%, 53.13% and 3.13% responded to moderately, large extent and extremely large extent respectively suggesting that evaluation and control took place in project clean up phase. Followed by planning and organization phase where 46.88%, 40.63% and 6.25% responded to moderately, large extent and extremely large extent respectively. A majority of respondents 43.75% reported that evaluation and control did not take place in the definition phase.

Figure 4.9 – Evaluation and Control of Strategies at different levels of the projects

Source: (Survey Data 2012)
We inquired on the people involved in evaluation and control of strategies. A majority of the respondents (78.13%) reported that it was the Board that dealt with the evaluation and control of strategies. Following the board in involvement according to the respondents were the program managers with 15.63%, 62.5% and 15.63% to moderately, large extent and extremely large extent respectively. Beneficiaries were deemed to be least involved in monitoring and evaluation owing to 21.88% and 3.13% responding to no extent and small extent respectively.

Figure 4.10 – People involved in Evaluation and Control of Strategies

Source: (Survey Data 2012)
We sought to find out the role of evaluation and control on socio-economic performance of the organization. Majority of the respondents believed that evaluation and control played a major role in proper allocation of resources owing to the fact that 46.88%, 43.74% and 3.13% responded to moderately, large extent and extremely large extent respectively. This was followed by its role of evaluation and control in ensuring sustainable projects owing to 71.88%, 9.38% and 3.13% responded to moderately, large extent and extremely large extent respectively. Most respondents reported that evaluation and control played little or no role in projects being met owing to 6.25% and 31.25% responding to no extent and small extent respectively.

Source: (Survey Data 2012)
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter highlights the main research findings, the results are collated together and on the basis of this recommendations are made to the management of Coffee Development Fund in Kenya and to scholars in the field of strategic management.

5.2 Summary

The study set out to understand the effects of strategic management practices on the performance of the Coffee Development Fund, Kenya. The specific objectives of the study were to assess the role of strategy formulation on performance of Coffee Development Fund in Kenya, to establish the role of implementation on performance of Coffee Development Fund in Kenya, to investigate the effect of environmental scanning on performance of Coffee Development Fund in Kenya and to establish the role of evaluation and control on performance of Coffee Development Fund in Kenya.

Prevailing conditions have been documented as a result of analyzing data collected using questionnaires which were administered as part of this study. From the questionnaires' responses it can be observed that as much as strategic planning and management has been embraced at the Coffee Development Fund – Kenya, the concept has not been fully understood by the stakeholders involved. There are flaws in the implementation of strategies not because they are not well thought out but because the participation is not wholesome from the start to the end. There is a perception that the Board, Directors and Senior Management are only or should only be involved in the initial stages of strategy formulation and then they leave the rest to the beneficiaries and other stakeholders to implement.

It has been argued that the failure of a strategy to achieve expected results is often because its' execution was flawed. The failure to execute is a major concern of executives because it limits organizational growth, adaptability, and competitiveness. Executives are not judged by the brilliance of their strategy, but by their ability to implement it. The
challenge is how to close the gap between strategy and actual results. It is considered beneficial for the organization to incorporate all stakeholders in the actual strategy formulation, implementation and evaluation. All those to benefit from any given strategy whether directly or indirectly should be brought on board as a participant so that they can own the project right from the inception to the eventual monitoring and evaluation.

The study established that formulation of strategy does not necessarily translate into organizational performance. This can be inferred from the 62.5% of all the respondents who reported that it influences performance moderately. This goes against what managers envision when they formulate strategies since most of them are expected to influence performance to a large extent. This calls for senior management to involve employees at all levels especially those who are to be affected by the strategy implementation right from the initial stages. This will ensure that the employees own the strategy even before it is implemented.

According to the respondents most strategies are non workable and non sustainable due to lack of ownership (62.5%), lack of beneficiary participation (50%) and implementation of policies that are not SMART (68.75%). Therefore the management should ensure the participation of beneficiaries in the strategies making which more often than not translates into ownership of any strategy that is to be implemented. Consequently, the consultation and participation by all stakeholders, ensures that SMART policies are developed.

The lack of monitoring and evaluation specialists was raised by the respondents (59.38%) as a major hindrance to the effective monitoring and evaluation of strategies that are formulated and implemented. This has over time led to repeat errors and failure of some if not most of the strategies.

5.3 Conclusion

From the foregoing discussion, it can be deduced that no single entity in an organization such as the Coffee Development Fund – Kenya can claim to wholly formulate a strategy in isolation. There is need for teamwork and participation from all quotas. The entire organization needs to come together and evaluate the prevailing circumstances and chat the way forward based on a common understanding. It also calls for senior managers to make their hands dirty and messy if they are to witness the success of any strategy that
they formulate. On monitoring and evaluation, the organization take an option that will save them cost as well as assure them of maximum productivity and profitability. They can bring on board a monitoring and evaluation expert or if it can save them cost they can outsource the service. The important point is that monitoring and evaluation should be taken as integral part of strategy implementation.

5.4 Recommendations

Strategy formulation plays a major role in performance of coffee development fund this is however, there is need to involve all stakeholders in the formulation of strategies, most importantly the beneficiaries. CoDF Kenya should ensure that the farmers are involved in strategy formulation instead of them being passive partakers and receivers of strategic plans.

CoDF Kenya should ensure that strategies implemented are workable and sustainable. For this to happen policies put in place should be SMART, they should ensure that there is beneficiary participation and that there is project ownership. CoDF Kenya should ensure that it takes advantage of the few opportunities in the external environment. Respondents reported the lack of a monitoring and evaluation specialist to actually conduct the monitoring and evaluation function. CoDF should also ensure that it has in place monitoring and evaluation specialist to carry out evaluation and control, this means that a very vital content of the strategy is not addressed and therefore nothing much is learnt from a failed strategy. They should also ensure that evaluation and control is a component of all projects and ensures proper planning this is due to the fact this we derive with the majority of respondents reporting the lack of proper planning moderately.

5.4.1 Recommendations for future studies

During the study the researcher identified that strategic planning is not done effectively. The researcher recommends future studies be done on strategic planning specifically in CoDF, Kenya, to help the organization improve.
REFERENCES


Bruce, G. P. (1990). Squeeze play- how the simplest cost-cutting programs can lead to most expected directions. *Inc. magazine for growing companies*. July.


M. Jane Kauffman (2005) 'Not for Ourselves Alone' Sandy Feldman Outstanding Leadership Award. Awards & Honors - April 13, 2005


Strauss A, Corbin J (1990) *Basics of Qualitative Research, Grounded*

Shirley, RC. (1982), Strategic Management Journal, 13, 1-4 Academy of Management Review


Tripartite Agreement (2004); City Council of Nairobi, Nairobi City Water & Sewerage Company and Athi Water Services Board, April.


Dear Sir/Madam,

RE: DATA COLLECTION

I am Maureen Cherono Tesot, a student of Kenyatta University (KU) pursuing a Master’s degree of Business Administration majoring in Strategic Management. One of my academic outputs before graduating is a thesis and for this reason I have chosen the research topic “the Effect of Strategic Management Practices on Performance of Coffee Development Fund”.

You have been selected to form part of the study. This is to kindly request you to assist me collect the data by responding to the questionnaire (copy attached). The information you provide will be used strictly for academic purposes and will be treated with utmost confidence.

A copy of the final report will be available to you upon request.

Your assistance will be highly appreciated.

Yours sincerely,

Maureen Cherono Tesot
D53/PT.CTY/13776/2009
Tel: 0723762047
Appendix II: Questionnaire for CoDF Staff

THE EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF COFFEE DEVELOPMENT FUND, KENYA

INSTRUCTIONS:

1. Do not write your name on this paper.
2. Feel free to discuss or ask questions where you do not understand.

Section 1: Organizational Profile (Tick where appropriate)

<table>
<thead>
<tr>
<th></th>
<th>a) Name of Employee (Optional)</th>
<th></th>
<th>b) Age: 21 – 30 years</th>
<th>31 – 40 years</th>
<th>41 – 50 years</th>
<th>above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>c) Gender:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>□ Male</td>
<td>□ Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>d) Designation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>□ Senior Manager</td>
<td>□ Subordinate staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>e) Academic qualification:</td>
<td>Post Graduate</td>
<td>Graduate</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Diploma</td>
<td>Form Four Leaver</td>
<td></td>
</tr>
</tbody>
</table>

Please tick the numeric value corresponding to your personal opinion for each statement given below: Where: 5- Extremely large extent 4- Large extent 3- Moderately 2- Small extent 1- No extent.

<table>
<thead>
<tr>
<th>Section 2: Strategy Formulation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In your own opinion, who formulates strategies in the organization?</td>
<td>The board</td>
<td>All stakeholders</td>
<td>The beneficiaries</td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td>2. How often are strategies formulated and passed?</td>
<td>½ year</td>
<td>1 year</td>
<td>1½ years</td>
<td>2 years</td>
<td>More than 2 years</td>
</tr>
<tr>
<td>3. To what extent are the strategies workable and sustainable?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. To what extent does strategies formulation enhance performance?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 3: Strategy Implementation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. In your own opinion, who implements strategies in the organization?</td>
<td>The board</td>
<td>All stakeholders</td>
<td>The beneficiaries</td>
<td>Others</td>
<td></td>
</tr>
</tbody>
</table>
6. How often are strategies passed and implemented?

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>½ year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1½ years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than 2 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. In your own opinion, what makes strategies non-workable and non-sustainable?

- Lack of project ownership
- Lack of beneficiary participation
- Policies not SMART
- Communication deficit
- Others

8. To what extent does strategic implementation enhance performance?

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
</table>

Section 4: Environmental Scanning

9. The operations in the external environment has affected the organization positively

10. Involvement in daily planning of the operations has brought in efficiency in the operations.

11. The rigid procedures have been faced out by the flexible procedures increasing productivity

12. There are positive challenges and threats facing us as an organization/project in our external environment?

13. There are various opportunities that face our environment that we should take advantage of.

Section 5: Evaluation and Control

14. Evaluation and Control is carried out periodically in the organization.

15. Evaluation and Control process involves all the employees in the organization.

16. Evaluation and Control is carried out by experienced professionals.

17. Evaluation is done both internally and externally

18. The outcomes of the evaluation process are communicated to all the employees

19. To what extent is monitoring and evaluation carried out in the organization?

20. In your own opinion, how does the following hinder evaluation and control in the organization?

- Not a component of the projects
- Lack of proper planning
- Usually ignored
- Lack of M & E Specialist
- Others

21. For each of the levels of the project, to what extent is evaluation and control conducted?

- Conception phase
- Definition phase
Planning and organization phase

Project clean up phase

22. What is the extent of involvement of the following in evaluation and control?
   - The Directors
   - The board
   - Programme Managers
   - The beneficiaries
   - Monitoring and evaluation specialist
   - All of the above

23. What is the perceived role of evaluation and control on socio-economic performance?
   - Sustainable projects
   - Proper allocation of resources
   - Projects completed in time
   - Project objectives met

24. What other improvements would you suggest on evaluation and control that will improve performance of the organization?

   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................


   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................
   ........................................................................................................................................

THANK YOU FOR YOUR PARTICIPATION.