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STRATEGIC PLANNING AND IMPLEMENTATION ON COMPETITIVENESS OF ROAD TRANSPORT IN KENYA

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Abstract

This independent paper is part of my progress for my thesis. In accordance with the university requirement for the relevant unit, the findings will be published in the final work. The objectives of this study were to: establish the relationship between allocation of resources and competitiveness in road transport in Kenya; to establish the relationship between strategic goals and competitiveness of road transport in Kenya; to identify the relationship between organizational culture and competitiveness of road transport in Kenya; to find out the effect of organizational change on strategic planning in road transport in Kenya; and to determine the relationship between top management commitment and strategic planning in road transport in Kenya. This study will be significant to the Kenyan road transport sector by finding out whether allocation and availability of resources improves the execution and implementation of strategies towards achieving competitiveness.

Keywords: Strategic Implementation, Strategic Planning

INTRODUCTION

Strategy is well defined by Macmillian and Tampoe (2011) as a roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors. Strategy, in short, bridges the gap between "where we are" and "where we want to be".

Strategic planning is a key driver of organizational growth, since it has to emerge as a strategic business partner helping the top management build an organization that is good not just for today, but for tomorrow and beyond. It is now working with the top management to propel the organization forward. Strategic planning should be reviewed (Crosby, 1999).

Strategic planning is important to an organization because it provides a sense of direction and outlines measurable goals. Strategic planning is a tool that is useful for guiding day-to-day decisions and also for evaluating progress and changing approaches when moving forward. In order to make the most of strategic planning, your company should give careful thought to the strategic objectives it outlines, and then back up these goals with realistic, thoroughly researched, quantifiable benchmarks for evaluating results.

Strategy is the game plan that management uses to stake out a market position, conduct its operations, attract and maintain customers, compete successfully, and achieve organizational objectives. The central thrust of a strategy is undertaking moves to build and strengthen the organizations long term competitive position and financial performance and, ideally, gain a competitive advantage over rivals that then becomes the organizations ticket to above-average profitability. Strategy typically evolves and reforms over time, emerging from a blend of proactive and purposeful actions on the part of management and, as-needed reactions to unanticipated developments and fresh market conditions (Guralnik, 1996).

According to Andrew (2010) strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction which are the pillars of competitive advantage. But organizational structure is not sufficient in itself to motivate the employees. An organizational control system is also required. Strategy implementation involves translating formulated strategies into action. It requires moving from the largely intellectual exercise of formulating to the concrete realities of tactical choices, trade-offs, conflicts, obstructions, misunderstanding, and even errors. Hansen, et al (2011)

The history of public transport in Kenya stretches back to 1934 when London-based Overseas Trading Company (OTC) introduced the first buses, a fleet of 13 on 12 routes. These routes 1-12 formed the earliest traditional bus routes in Kenya that are still in use today. Roads in Kenya: Kenya Roads infrastructure is one of the key components of communication and development in Kenya. The Kenya Vision 2030 aspires for a country with integrated roads, interconnected railways, communication ports, airports, infrastructure Waterways and communications as well as provision of adequate energy. (Kenya Roads Board Handout, 2015)

Statement of the problem

It is imperative for firms to develop and nurture sustained competitive advantage. This can be done by as per Berry, (2014): Continually adapting to the changing external business landscape and matching internal strengths and capabilities by channeling resources and competencies in a fluid manner and by formulating, implementing, and evaluating strategies in an effective manner. All firms have a strategy, even if it is informal, unstructured, and sporadic. Aosa (1992) surveyed 51 large private manufacturing firms through a survey and concluded that management was the key factor that influenced strategic plans formulation and implementation.

Since, Vision 2030 was set up, the concept of strategic planning and implementation was brought up in the public sector. There are few studies that show whether strategic planning and implementation have contributed to the competitiveness of Road transport sector. This study thus, fills the gap by studying the impact of strategic planning and implementation on competitiveness of road transport in Kenya.

Study's Hypotheses

i. Organizational culture has no significant relationship to competitiveness in road transport in Kenya
ii. Strategic goals has no significant relationship to competitiveness in road transport in Kenya

iii. Resource allocation has no significant relationship to competitiveness in road transport in Kenya

iv. Organizational change has no significant relationship to competitiveness in road transport in Kenya

v. Top management commitment has no significant relationship to competitiveness in road transport in Kenya

LITERATURE REVIEW

Theoretical Literature

Resource based theory

Resource based theory was developed in 1984. The theory proposes a framework for resource-based approach to strategy formulation which integrates a number of key themes arising from strategic planning. The framework involves five-stage procedure for strategy formulation; analyzing the firm's resource-base; appraising the firm's capabilities; analyzing the profit-earning potential of firm; selecting a strategy, and extending and upgrading the firm's pool of resources and capabilities for results in performance. It is used in explorations of the relationships between resources, competition, and profitability including the analysis of competitive imitation, the appropriateness of returns to innovations, the role of imperfect information in creating profitability difference between competing firms, and the means by which the process of resource accumulation can sustain competitive advantage.

Management Theories

Management theories are central to implementation of plans in any organization. Managers should strive to create an environment in which others are motivated to put in their best (Bhargara, 2003). It is incumbent upon the leader to provide direction and purpose for the organization and to carry everyone along with her/him. The manager must get commitment of his subordinates (employees). McGregor and other scholars for example have stressed the importance of mutual goals as a clue to commitment. For many years, the economic theory has proposed to buy worker cooperation by paying wages to be used by wage earners to buy progress toward the personal goals.

Systems Theory

The system theory was developed by biologist Ludwig Von Bertalanffy Littlejohn (1983) defines a system as a set of objects or entities that interrelate with one another to form a whole. System theory is basically concerned with problems or relationships, of structures, and of inter-dependence, rather than with the constant attributes of object. The systems theory views an organization as a social system consisting of individuals who cooperate within a formal framework, drawing resources, people, finance from their environment and putting back into that environment the products they produce or the services they offer. This theory is based on the view that managers should focus on the role played by each part of an organization; rather than dealing separately with the parts (Hannagan, 2002). The systems theory maintains that an organization does not exist in a vacuum. It does not only depend on its environment but it is also part of a larger system such as the society or the economic system to which it belongs. The systems approach is concerned with both interpersonal and group behavioral aspects leading to a system of cooperation (Koontz, 2001). Road transport is an open system hence it responds to the external influences as it attempts to achieve its strategic objectives.

Contextual Review

Strategic Planning

Over time the concept and practice of strategic planning has been embraced worldwide and across private and public sectors because of its perceived contribution to organizational effectiveness and to fast track performance. Strategic planning is arguably important ingredient in the conduct of strategic management. Porter (1985) noted that despite the criticism leveled against strategic planning during the 1970s and 80s it was still useful and it only needed to be improved and re-casted. Greenly (2006) noted that strategic planning has potential advantages and intrinsic values that eventually translate into improved firm performance. It is therefore a vehicle that facilitates improved firm performance. Grants (2013) notes that empirical research is strategic planning systems has focused on two areas: the impact of strategic planning on firm performance and the role of strategic planning in strategic decision making. The latter area of research explored the organizational process of strategy formulation.

In an organization the term 'corporate (or organization) culture' refers to the dominant values at work in the organization. These are variously referred to as 'the company ethos, the 'organization culture' or 'our values'. The corporate culture usually includes the dominant management style active in the organization. The values embodied in an organization's culture usually focus on its relationship with customers, the community, and employees as well as defining its attitude towards quality, safety and ethical issues. Corporate culture is a phenomenon that is caught just as much as it is taught. It is more than just the sum of the values and attitudes of individual employees, some of whom in fact, may not share the values promulgated on behalf of the organization. In some organizations culture is acquired as a result of professional standards (for engineers, engineering quality standards, and respect for probity and trusty in accountancy firms). In others it develops from the philosophy of powerful group of managers or owners. Also in others it is the product of the vision of one person. (Mckeown, 2012)

(Arumugan, 2006). Organizational structure has been an important theme in management and business research due to its potential to affect a range of organizationally and individually desired outcomes such as commitment, loyalty, turnover intent, and satisfaction. There is also a consensus that organizational culture is a management philosophy and a way of managing organizations to improve their overall effectiveness and performance including successful implementation of strategy. Research has confirmed that organizational culture is able to influence the thoughts, feelings, interactions, and performance in organizations (Chow et al, 2001)

Strategy implementation is a process where managers diffuse a strategy into a user community. Top management commitment is believed to be essential for any strategy implementation success (Dong, 2001). A plethora of studies have examined the impact of top management commitment on strategy implementation outcomes. It has been found that top management commitment significantly affects user beliefs, organizational implementation success, progressive use of systems, and organizational strategy adoption (Bruque-Ca'mara et al, 2004).

Top management refers to senior-level leaders may include owners, and other high ranking executives and senior-level managers.

Change Leadership is essential for both high level executives and program leaders, who are responsible for setting the vision, communicate the vision and make the changes happen.

Hrebiniak (2006) pointed out overreaching issues that impede strategy implementation in the organizational change. He notes that managers are often trained to plan and not to execute strategies; the top managers are therefore always reluctant to soil their hands in the mess tasks of implementation. Strategy implementation always creates the need to manage change in complex organizational contexts (Kazmi, 2008). Goal setting begins as per Olsen, (2012) after the mission and vision statements are finished. Keep the process simple and enjoyable, and set "SMART" goals – simple, measurable, achievable, results oriented and time sensitive. Most importantly, however, do not set goals that are "too easy" or do not boost performance. It is best to challenge employees, expect them to challenge themselves, with attainable goals that require considerable effort.

Top management commitment is critical for the success of any new strategy implementation process. Change requires a strategic vision to ensure its long term success (Aladwani, 2009). Management commitment and support is the ultimate strategy that will secure the necessary conditions for successfully introducing the change brought by the new system into the organization. But according to Mehring (2002), too much support may negatively affect the implementation outcomes. Top managers play a critical role in the implementation, not just the formulation of strategy.

Strategic Implementation

Strategic implementation put simply is the process that puts plans and strategies into action to reach goals. A strategic plan is a written document that lays out the plans of the business to reach goals, but will sit forgotten without strategic implementation. The implementation makes the company's plans happen as per Hansen et al., (2011).

According to Bhasin, (2010) implementation of strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems to achieve the best integration of people, structure, processes and resources in achieving organizational objectives. He also believes that once the creative and analytical aspects of strategy formulation have been settled, the managerial priority is one of converting the strategy into operationally effective action. Indeed a strategy is never complete, even as formulation until it gains a commitment of the organization's resources and becomes embodied in organizational activities. Therefore, to bring the result, the strategy should be put to action because the choice of even the soundest strategy will not affect organizational activities and achievement of its objectives. This is because he entire management process is geared up according to the needs of the strategy. Preparation of a solid strategic plan is no longer enough to ensure profitable success unless it links virtually every internal and external operations of an organization with a focus on customer needs. Strategy implementation could be more difficult than thinking up a good strategy. 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.

Competitiveness

Competitiveness can be defined as the ability to face competition and to be successful when facing competition. Competitiveness would then be the ability to sell products that meet demand requirements (price, quality, quantity) and, at the same time, ensure profits over time that enable the firm to thrive. Competition may be within domestic markets (in which case firms, or sectors, in the same country are compared with each other) or international (in this case, comparisons are made between countries). Competitiveness is therefore a relative measure. It is, however, a broad concept and there is no definitive agreement on how to measure it precisely. However, there is more or less a consensus on which measures could be used to assess competitiveness. Measurement can be made according to two disciplines: i) the neoclassical economics, which focuses on trade success and which measures competitiveness with the real exchange rate, comparative advantage indices, and export or import indices; and ii) the strategic management school places, which places emphasis on the firm's structure and strategy. In the latter, competitiveness is defined as cost leadership and non-price supremacy; with cost competitiveness measured according to various cost indicators, as well as productivity and efficiency. Particular emphasis should be given to productivity (and its efficiency component), which is generally agreed to be a part of competitiveness.

First, competitiveness should be measured with respect to a benchmark as it is a relative concept. Firms must be compared with each other, or nations with each other. Producing absolute figures for a country or an industry is meaningless. For example, an increase in competitiveness happens when a firm lowers its costs relative to those incurred by rival firms.

Second, competitiveness has a broad and a changing definition depending on the school of thought and on the level of investigation carried out. There is, however, a widely held view that it is a complex concept that incorporates a multitude of aspects. Assessment of competitiveness should therefore be undertaken based on several components. However, it is not rare to find studies that calculate only one measure (e.g. export indices only, costs of production alone, productivity growth alone) despite evidence that competitiveness rankings may differ depending on the component measured. It would be better to measure several components and aggregate them into a single measure of competitiveness or cluster observations in groups on the basis of all components in order to get a more complete overview of competitiveness. However, in this case a delicate issue is how to weight each component of competitiveness for the aggregation.

Finally, the issue of measurement distortion due to government intervention should be considered carefully. Several authors stress that competitiveness components are measured under the assumption of an ideal word of no government intervention.

Empirical literature

Notable studies on strategy implementation were examined in order to identify potential strategy implementation problems. Research by Alexander (1985) identified twenty-two major obstacles to strategy implementation, of which ten were cited by over 50% of firms sampled as major problems but now is of historical importance. In a similar study, Al-Ghamdi (1998) researched 15 implementation problems and found that six strategy implementation problems were experienced by over 70% of the sample group of firms. Based on case studies, Hansen, Boyd and Kryder (1998) identified additional implementation problems as a). Failing to periodically alter the plan or adapt it to changes in the business environment b). Deviation from original objectives and c). Lack of confidence about success. According to Rutan (1999), all implementation aspects during the planning phase are fundamental for execution as there is no time to do that during execution. Management must make the commitment to stay focused on the agreed upon plans and should only make significant changes to the plan after careful consideration on the overall implications and consequences of the change. The organization should maintain a balance between ongoing business activities and working on new strategic initiatives. That is, that problems with implementation often occur when companies concentrate on new strategy development and in the process forget their main line of business that underlie within previously formulated business strategies. Nickols (2000) posts that strategy is execution. He discussed four cases of strategy execution: flawed strategy & flawed execution, sound strategy & flawed execution, flawed strategy & sound execution, and sound strategy & sound execution. Only when the strategy and the execution are sound the organization has a pretty good chance for success, barring aside environmental and competitive influences. Further, he contends that executing the wrong strategy is one of the major problems leading to unsuccessful implementation of strategies.

In a recent study of "aspects of formulation and implementation of strategic plans in Kenya", Aosa (1992) surveyed 51 large private manufacturing firms through a survey. Using questionnaires and a drop and pick method, Aosa concluded that management was the key factor that influenced strategic plans formulation and implementation. The scholar also noted that an effective implementation process required a collective approach to culture and communication while keeping clear communication channels and realigning firm resources so that strategic plans are not halted by lack or inadequate implementation resources. Awino (2007) studied the effect of selected variables on corporate performance using 49 large private insurance firms in Kenya through a survey that applied both interviews and structured questionnaire. In his findings, management and culture were found to be very critical variables in the performance of firms. Awino concluded that both financial and non-financial performance were affected but to varying degrees by selected variables.

Downes (2001) states that the kinds of execution obstacles most companies run into fall into two categories: problems internal to the company and problems generated by outside forces in its industry. These internal and external issues are affected by the extent of flexibility companies have to launch strategic initiatives successfully. DeLisi (2001) examined "the six strategy killers" of strategy execution, pinpointed by Bear and Eisenstat (2000). He found that four of these factors particularly hamper or destroy strategy execution. These are: a) ineffective senior management b) top-down or laissez-faire senior management style c) Unclear strategies and conflicting priorities and d) Poor coordination across functional boundaries. Moreover, DeLisi research also revealed several other potential reasons for the failures in strategy execution. These included: Lack of knowledge of strategy and the strategy process; no commitment to the plan; the plan was not communicated effectively; people are not measured or rewarded for executing the plan; the plan is too abstract, people can't relate it to their work; people are not held accountable for execution; senior management does not pay attention to the plan; reinforces, such as culture, structure, processes, IT systems, management systems and human resource systems, are not considered, and/or act as inhibitors; people are driven by short-term results. Johnson (2002) in his survey found that the five top reasons why strategic plans fail are related to motivation and personal ownership, communications, no plan behind the idea, passive management, and leadership. Charan (2003) in his research on implementation problems notes that "ignoring to anticipate future problems" hinders successful strategy execution.

Hrebiniak (2005) recognized the difficulty of strategy execution and the reward from doing that correctly. Additionally, Hrebiniak's research survey of 400 managers contributed to the identification of additional factors that may cause obstacles to successful strategy implementation included: Lack feelings of "ownership" of a strategy or execution plans among key employees; not having guidelines or a model to guide strategy-execution efforts; lack of understanding of the role of organizational structure and design in the execution process; inability to generate "buy-in" or agreement on critical execution steps or actions; lack of incentives or inappropriate incentives to support execution objectives; insufficient financial resources to execute the strategy. Brannen's (2005) survey based study concluded that in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational/cultural barriers. Brannen's survey unearthed another significant obstacle to effective strategy implementation namely, "failing to Empower or give people more freedom and authority to execute."

Overall, these research studies and writings indicate a total of twenty-nine obstacles that could hamper strategy implementation. After examining and checking for redundancy, a list of twenty implementation obstacles emerged. Fifteen of these strategy implementation obstacles are similar to those identified by previous research conducted by Alexander (1985) and Al-Ghamdi (1998), whereas there are five additional obstacles to strategy implementation that need to be included. Having identified this and that the studies are of historical importance, the thrust of this research paper is to determine the impact of strategic planning and implementation on competitiveness of road transport in Kenya.

RESEARCH METHODOLOGY

This study used a descriptive research design since the study sought to determine the impact of strategic planning and implementation on competitiveness of road transport in Kenya. The study was designed to target matatu SACCO's in Nakuru as it is presumed that there is a representation of all SACCO's as it is a large town.

The study used convenience sampling and random sampling by picking among the available SACCO's which are 14, then pick 7. The study used secondary data and primary data was also used whereby a questionnaire of five point likert scale was used. The instrument was piloted by issuing to fellow classmates. This sought to determine the content validity of the research instrument. Given that the content validity cannot statistically be determined, the researcher also sought expert opinion from the supervisors. The study employed SPSS to test the reliability of the research instrument. The correlation coefficient above 0.70 in the questionnaire was considered an indication that the items on the questionnaire are reliable. Linear regression model was employed to determine the impact of strategic planning and implementation on competitiveness of road transport in Kenya. The model was as follows:

$Y = \beta 0 + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + E$ Where: -

Y = Competitiveness

E = Unexplained Variation i.e. error term, it will represent all the factors that affect competitiveness and were not included in the model either because they were not known or were difficult to measure.

X1 = Strategic planning X1= C + G + R+ O+T (C-Organization culture, G-Set goals, R-Resource allocation, O- Organizational change, T- Top management Commitment)

X2 = Strategic implementation; X2= O+M+Cs (O-Organization structure, M-Support by management, Cs-Strategy Communication)

X3 = If government policy affect then 0 and in others 1

$\beta 0$ = Constant. It defines the level of competitiveness without inclusion of predictor variables.

$\beta 1$, $\beta 2$, $\beta 3$ = Regression Co-efficient. Defined the amount by which Y is changed for every unit change of predictor variables. The significance of each of the co-efficient will be tested at 95 percent level of confidence to explain the variable that will explain most of the problem. The test of significance for the econometric model will be based on the null hypothesis H0: Competitiveness Y (0) is not significantly affected by Strategic planning X1(0), Strategic implementation X2 (0), and Government policy X3 (0)

H0: Y= X1 = 0, X2 = 0, X3 = 0

H1: Y≠ X1 ≠ 0, X2 ≠ 0, X3 ≠ 0

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