European Journal of Business and Innovation Research

Vol.2, No.3, pp. 51-67, June 2014

Published by European Centre for Research Training and Development UK (www.ea-journals.org)

A SURVEY OF RISK FACTORS IN THE STRATEGIC PLANNING PROCESS OF PARASTATALS IN KENYA

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ABSTRACT: *A common challenge faced by all organizations, whether private or public, is how to successfully they manage strategic planning process for attainment of organizational objectives. Some researchers have noted that organizations fail to implement up to 70 per cent of their strategic plans. This study sought to determine the challenges faced by the Kenya Bureau of Standard in its efforts to implement its strategic plans. Specifically, the study tried to find out how organization structure, leadership style, top management, staff involvement and organizational change affect implementation of strategic plans in the Organization. It also tried to identify the role of funds in strategic plan implementation. The study was explanatory in nature since its main purpose was to explain the factors that affect implementation of strategic plans in the public sector and especially in the Kenya Bureau of Standard. It adopted a stratified random sampling technique to get a sample of 27 respondents being 15% of the 178 members of staff who form Organization's entire staff compliment. Data for the study was collected by use of questionnaires and analyzed using descriptive and inferential statistics to establish the relationship between the dependent and independent variables. Quantitative data was analyzed by use of means of percentages, standard deviations and frequency distributions. It is expected that the results of the study will assist the top management and staff of the Organization, as well as other stakeholders, to understand the factors that affect implementation of strategy in the public sector and more so, in the Kenya Bureau of Standard. From the findings strategic planning process has been faced with various risk factors including inadequacy of funds and less involvement of staff in the whole process of strategic planning. The researcher would recommend that the Kenya Bureau of Standard should address the factors that affect strategic planning process because the strategic plan is the key route to improved business performance and has an important role in every organizational setting. To mitigate or even avoid severe effects on the performance of the organization by the government, the organization should adhere to its regulations concerning attainment of funds*.

KEYWORDS: Strategy, Plans, Risk Factors

INTRODUCTION

Strategic plans are often accompanied by parallel implementation plans, which outline responsibilities, timelines, resource requirements and organizational or operational changes required in order to deliver on the strategic plan initiatives. The term 'strategic plan' often is used as an umbrella term covering all these aspects, which is perfectly reasonable, as they are all critical to the success of a strategic planning effort, and are all very much the focus of any such work we do with our clients (Fidler, 2002).

Strategic planning process has an important role in every organizational setting (Adeyoyin, 2005; Decker and Höppner, 2006). Organizations have developed networked cooperation to develop their activities. Each strategic plan has particular merits that are related to the external environment, internal processes and structures, financial resources and human capabilities. Strategic evaluation is used to judge these merits and the strategic planning process. The evaluation of strategic plans requires a framework and sensible judgments on different strategic objectives weighted against each other. The various strategic objectives should be aligned with each other in a balanced way so that the strategic plan is able to build bridge between the perceived present situation and the desired future position described by the vision (Bush and Coleman, 2000; Johnson and Scholes, 2002).

A rational framework to evaluate strategic plans can be found among the tools of strategic planning. The balanced scorecard developed by Kaplan and Norton (1996, 2001) was developed for a framework to communicate and implement strategic plans. It has turned out that the balanced scorecard approach can also be used to plan strategies Kettunen (2010). It is also important to find out a rational framework to evaluate the strategic plans and performance. Otherwise the evaluation is based on subjective judgments of different persons.

The balanced scorecard approach measures the implementation of the strategic plan across customers, finance, internal processes and learning. The measures are balanced between the external measures for customers, the measures of finance, the measures of internal processes, and the learning measures that drive future performance. The balanced scorecard provides information from many perspectives in a balanced combination. Therefore, the approach is ideal also for the evaluation of strategic plans even though the balanced scorecard approach has not been used in the planning of the strategies (Huotari and Iivonen, 2005).

According to Bush and Coleman (2000), there are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more a technique than model), etc. Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and by when). Issues-based strategic planning often starts by examining issues facing the organization, strategies to address those issues, and action plans. Organic strategic planning might start by articulating the organization's vision and values and then action plans to achieve the vision while adhering to those values. Some planners prefer a particular approach to planning, eg, appreciative inquiry. Some plans are scoped to one year, many to three years, and some to five to ten years into the future. Some plans include only top-level information and no action plans. Some plans are five to eight pages long, while others can be considerably longer (Fidler, 2002).

STRATEGIC PLANNING PROCESS

Despite early recognition that effectiveness in implementing strategic plans is essential to its success (Bonoma, 1984; Walker and Ruekert, 1987; Cespedes, 1991), there is recent evidence in the marketing literature that this subject remains a neglected and ill-conceived topic (Piercy, 1998; Noble and Mokwa, 1999; Sashittal and Jassawalla, 2001; Kennedy *et al.*, 2003). Noble and Mokwa (1999) believe that both the nature of implementing and the reasons for its success or failure are poorly understood; a situation that Noble (1999) attributes to the diverse and fragmented nature of the literature on implementing strategy.

Strategic planning could be formal or informal. Formality in strategic planning refers to the degree in which participant (Pearce & Robinson, 2008)s, responsibilities, authority and discretion in decision making specified (Pearce and Robinson 2002). Formal analytical process is characterized by use of analytical tools and methodologies to help managers reach a corporate success (Hofer and Schendel 1978). Formal strategic planning usually ends up with a document, the strategic plan. A strategic plan is a comprehensive statement about the organization's mission and future direction near term and long-term performance targets and how management intends to produce the desired results to fulfill the mission, given the organization's situation (Thompson and Strickland 1993).

The informal approaches to strategy are characterized by executive bargaining and negotiation, building of coalition and practices of muddling through (Hax and Majluf 1991). Informal planning is usually intuitive and under the influence of a visionary figure. Strategy should be managed through planning process as in form of a sequence of steps. This is supported by among them Ansoff (1990), Andrews (1987) and recently in the later 1980s Michael Porter. The view assumes some degree of consensus and among decision makers. According to Johnson and Scholes (2003), this involves objective setting analysis of environmental trends and resource capabilities, evaluation of different options and careful planning of implementation of strategies. Strategy is then communicated to the organization and implanted through successive organizational layers.

Mintzberg (1994) views planning strategy as precise intentions that are formulated and articulated by central leadership and backed up by formal controls to ensure their surprise free implementation in an environment that is controllable and practicable. In planning view, strategies are proposed to develop through a rational and formalized sequence of analytical and evaluative procedures. The command view is where by strategy develops through the direction of an individual or group and not necessarily through formal planning. The strategy would be an outcome of an autocratic leader or dominant leader who becomes personally associated with strategy development of the organization. Such individuals may be the owner or co-founder or political appointee of the organization. Usually such organizations are small enterprise or public sector organization.

Herold (1972) observed that planners were better than non-planners at identifying opportunities, setting goals and objectives, and setting proper strategies and effective tactics to achieve them as evidenced by their higher growth rate and higher operational efficiency ratios. He also points out that planners are also more aggressive than non-planners in pursuit of business objectives. Imposed strategy the external environment dictates patterns in the actions either through direct imposition or through implicating pre-empting or bounding organizational choice (Mintzberg 1998)

Strategic planning processes will be designed to fit the specific need of the organization. It’s argued by (Morrison et al, 1984; McCarthy, 1996; Arthur, 1989) that every successful model must include vision and mission, environmental analysis, setting objectives and strategic analysis choice. Identification of the institutions vision and mission is the first step of any strategic planning process. What is our business and what will it be? (Thompson 1989). This help in infusing the organization with a sense of purpose and direction and giving it a mission. A mission is a statement broadly outlines the organizations future course and serves as a guiding concept. Once the vision and mission are clearly identified the institution must analyze its external and internal environment (Harrison & St. John 1998). The environmental analysis performed within the frame work of the SWOT analysis, analyses information about organization’s external environment (economic, social, demographic, political, legal, technological) and internal organizational factors.

The act of setting formal performance objectives converts the organizations mission and direction into specific performance targets to be achieved and protects against drift confusion over what to accomplish and toleration undemanding results (Arthur 1989). The organization is able to draw short range objectives which draw attention to what immediate results to achieve while long range objectives consider what to do now to have the organization in position to produce results later. The institution then evaluates the difference between their current position and the desired future through Gap analysis. To close up the gap and achieve its desired state the institution must develop specific strategies.

Strategic evaluation and control involves not only evaluating strategy for deviations from intended course but also for flexibility towards responding to the new challenges and determining the effectiveness and the pace of the implementation (Johnson and Scholes 2003). The institution should measure current performance against previously set expectations, and consider any changes or events that may have impacted the desired course of actions. The revised plan must take into consideration emergent strategies and changes affecting the organization's intended course.

This on-going stream of new and revised strategic moves and approaches some big in scope and some little some applying to one part means that an organizations prevailing strategy almost is almost never the result of a singles strategizing effort rather the pattern of moves approaches and decisions that establish an organization. Strategy assumes its shape over a period of time.

A process perspective on implementing strategy (Piercy, 1998; Noble, 1999) widens the traditional focus on organizational structure and control systems by also including behavioural and interpersonal process elements. Doing so introduces psychological issues (e.g. individual motivation and commitment) and issues relating to social and political processes (e.g. organizational culture, leadership, and learning), and requires consideration of their complex interrelationships with organizational structure and control systems.

ORGANIZATIONAL STRUCTURE

Undeniably coordination is critical to the performance of any firm. The specialist implementation skills possessed by a mid-level marketing manager as an individual do not fully contribute to the organizational skills base, unless these individuals can coordinate their efforts. The challenge for any manager is how to coordinate the efforts of talented employees within a limited time frame and to ensure that the aims and mission of the intended marketing strategy is clearly understood. Firms can aid this process through rules, directives and routines (Grant, 2002). Coordination deals with only the technical problem of integrating the actions of mid-level marketing managers within firms. Cooperation, however, concerns the building mechanisms that link individuals in ways that permit them to perform given tasks, such as implement the marketing strategy effectively.

Daft and Mackintosh (1984) explore the role of formal control systems in gaining cooperation in marketing strategic planning process. Jaworski *et al.* (1993) showed a strong correlation between the type of control and coordination system in use and firm performance, implying that the nature of the control system in an implementation effort is a critical decision. Despite the negative connotations associated with hierarchical and top-down approaches to marketing management, it is argued that such structures are essential for creating a conducive marketing strategic planning process environment (Dobni, 2003) that facilitates coordination and cooperation.

In this way, we argue that for strategic plans to be implemented efficiently by mid-level marketing managers the firm must display a degree of hierarchical style and bureaucratic structure. Power should be located at the apex of the hierarchy and delegated downward, while the achievement of coordination and cooperation remain paramount (Wooldridge and Floyd, 1990). Senior marketing executives should seek to direct, communicate with, and involve, mid-level marketing managers to win their support, a feeling of ownership for the marketing strategy and their compliance with the roles set for them, (Whitney and Smith, 1983). Indeed, some authors have emphasised the importance of mid-level marketing managers' perceptions that senior management is doing all it can to facilitate the marketing strategic planning process process (Balogun, 2003; Huy, 2001; Floyd and Wooldridge, 1997). Furthermore, the strategic consensus literature provides a broad range of views of the value of a collective mind set during implementation efforts (Ambrosini and Bowman, 2003; Dooley *et al.*, 2000) contends that firms must achieve consensus and cooperation within the firm in order to gain compliance from managers to successfully implement strategic plans. The benefit of a shared understanding and the perception that the marketing strategy is being coordinated by senior marketing executives effectively is a development of a commitment among managers and a reduction of uncertainty in the firm as a whole (Noble, 1999). Shared understanding of the strategy and a degree of direction from senior management should, in turn, improve strategic performance and the overall efficiency of the implementation effort.

Moreover, for high levels of coordination and cooperation, how similar senior marketing executives ideas are with that of the ideas of mid-level marketing managers in terms of the marketing strategy in question has been recognised as key in the creation of an atmosphere conducive to effective marketing strategic planning process (Noble and Mokwa, 1999). The importance of "championing" has been discussed in a wide range of literature (Marginson, 2002; Noble and Mokwa, 1999) explains that champions serve many purposes, including mobilising firm resources, generating momentum for the marketing strategy and making sure that the goals of the marketing strategy are clear to all those charged with implementation duties. Also, a charismatic and powerful champion, or senior marketing executive, is likely to instil a higher level of commitment among lower level employees towards the marketing strategy (Noble, 1999). Furthermore, securing the support of the senior marketing executive team is often essential in marketing strategic planning process (Floyd and Wooldridge, 2000; Jiang *et al.*, 1996; Whitney and Smith, 1983) and some authors have emphasised the importance of mid-level marketing managers' perceptions that senior management is doing all it can to facilitate the implementation process (Balogun and Johnson, 2004; Thomas and Dunkerley, 1999).

TOP MANAGEMENT COMMITMENT

Strategic plan implementation is not a top-down-approach. Consequently, the success of any implementation effort depends on the level of involvement of top managers. To generate the required acceptance for the implementation as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Rapa and Kauffman, 2005).

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

process increases substantially. Research studies indicate that less than 5 percent of a typical workforce understands their organization's strategy (Kaplan and Norton, 2001). This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to a strategic planning process.

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

It is possible that an organization with a low commitment of top management on strategic implementation will be in a slow-changing environment, or in one that has only recently experienced an increase from low to higher levels of dynamism and/or complexity. Therefore as the level of environmental turbulence (dynamism and complexity) increases it is likely that the organization will need to move to higher levels of commitment to strategic management. An alternative explanation for low commitment to strategic management might be that such organizations have so far pursued strategies which are associated with lower levels of strategic management commitment and/or capability, for example, the reactor and defender styles of Miles and Snow (1978).

In contrast the prospector and analyzer styles (Miles and Snow, 1978) require stronger strategic management commitment and capability. That organizations may operate in similar environments, but have different levels of commitment to strategic management, was demonstrated in the case of small American banks studied by Newkirk-Moore and Bracker (1998). It was found that business performance was highest when levels of both commitment to the strategic planning process, and the frequency of strategic planning training, were high.

On political factors, the government, as an important institution, provides public goods and services and designs the rules and regulations of the society that allow markets to flourish. It also puts in place the necessary policies that will facilitate the efficient distribution and allocation of resources to enhance the welfare of the people. The government also provides important institutional infrastructure, such as laws that protect property rights, as well as maintaining public order, without which long term investment and sustainable socio-economic development are impossible.

The government promotes economic development through a number of channels. The government can undertake large-scale investment such as investment in industry and infrastructure projects that are beyond the scope of the private sector. The government also provides social goods such as education, public health, etc., and thus raises the stock of human capital and its productivity in the long run.

Because of this, developing countries, including many African countries, have until recently opted for a strategy of expanded public sector as the main development strategy. This state-dominated policy has increased the role of the public sector in the economic life of developing countries and thereby increased the share of their government expenditure in GDP from about 15 percent in 1960 to about 28 percent in 1990 (World Bank, 1997).

The government, through its expenditure policies, plays a crucial role, not only in mobilizing and allocating resources, but also redistributing the costs and revenues raised both at home and abroad among different economic sectors and households of a society. Generally, the government has different options for spending the revenue raised at home and abroad. It can use those public resources for any of the following expenditures:

- productive capital investment which generates future income;
- socio-economic services such as public health, education; or
- non-productive forms of government consumption such as the military, police, etc.

The issue of whether resources are channeled into productive or non-productive forms of government consumption has important policy implications because the economic development of a country partly depends on how the scarce resources are allocated and utilized among different economic sectors. Therefore, much controversy surrounds the basic nature of the relationship between public expenditure and economic development. Some scholars argue that non-productive government expenditures drain the meager resources of African countries and thereby hamper economic development (Landau, 1986). For instance, available data show that in the 1960s income per capita in Africa and in most East Asian countries was at the same level. However, by the mid-1990s, the income levels in East Asian countries increased to more than five times that of African countries (World Bank, 1997). A number of scholars and policymakers attribute this divergence partially to the growing non-productive public consumption and the weak institutional capability of African countries to design and implement effective and pragmatic development policies. A successful development policy, *inter alia*, requires a committed government with strong visionary leadership. It also requires effective legislation and its enforcement. The lack of effective institutions in Africa and the state's inability to enforce existing laws and rules often leads to corruption and mismanagement, thereby increasing the cost of conducting business in Africa.

Therefore, it is crucial to improve the planning and implementation capacity of the government by enhancing the capability of public institutions to design effective policies and rules that check arbitrary state actions and combat rampant corruption (World Bank, 1997). This is crucial because to the “degree that individuals believe in the rules, contracts, property rights, etc., of a society, they will be willing to forgo opportunities to cheat, steal or engage in opportunistic behaviour” (North, 1989, p. 1322). This, of course, is possible where there is what Werlin (2000) refers to as primary corruption where people fear official punishment and popular condemnation.

However, where there is what Werlin (2000) calls secondary (chronic, rampant and uncontrollable) corruption, as in the case of Nigeria and Kenya, individuals will not fear punishment or reprisal because they are rarely punished for corruption. In this case, punitive measures may not be effective, and therefore a radical and fundamental political reform becomes necessary. Otherwise, secondary corruption will weaken government institutions, including the judicial system, and undermine the legitimacy of the whole political system (Werlin, 2000).

INVOLVEMENT OF VALUABLE KNOWLEDGE

Strategic plan implementation is not a top-down-approach. Consequently, the success of any implementation effort depends on the level of involvement of middle managers. To generate the required acceptance for the implementation as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Voss, 2005).

Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth, targeted and accepted strategic planning process process increases substantially. Research studies indicate that less than 5 percent of a typical workforce understands their organization's strategy (Kaplan and Norton, 2001). This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to a strategic planning process.

To involve employees is an important milestone to make strategy everyone's everyday job. That is why the involvement of middle managers is essential to increase the general awareness of the strategy. Moreover, involvement of middle managers helps build consensus for implantation of strategic plans. A lack in strategic consensus can limit a company's ability to concentrate its efforts on achieving a unified set of goals (Werlin, 2000). A strategic planning system cannot achieve its full potential until it is integrated with other control systems like budgets, information and reward systems. The balanced scorecard provides a framework to integrate the strategic planning and meets the requirements that the strategic planning system itself can display (Kotha and Swamidass, 2000).

In the context of implementing strategies, the application of software solutions seems to be neglected. Recent experience has shown that IT-support is gaining more and more importance. Information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and most important provide an early warning of any need to adjust or reformulate the strategy (Voss, 2005).

Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operative environment of a company’s day-to-day business. The strategic planning process perspective demands systems with different criteria than those of conventional systems. The supportive character in monitoring and tracking the implementation process should be in the center of interest (Rapa and Kauffman, 2005).

In the past, these activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be more than helpful to improve the quality of strategic planning process. In addition to that, a software solution is a starting point to define as mentioned above clear assignments of responsibilities throughout the organization’s implementation processes (Rapa and Kauffman, 2005).

AVAILABILITY OF FUNDS

Hewlett (1999) suggests that most strategic plans are hurdled by the financial constraints during the time of their implementation. It is important, particularly at the business level, to integrate non-financial measures such as market share or market growth in the budget, so that one can better assess the extent to which improved competitive strength is being achieved as well as the extent to which deviations are due to changes in the business attractiveness. Also, since most budgets will be based on operating departments, it is important to superimpose key non-dollar factors that would signal whether the strategic programs are proceeding on schedule. The concern for financial measurement accuracy in the budgets seems to have jeopardized the concern for relevance in some companies' budgets.

The various program alternatives need to be economically evaluated in two respects. First, there are different ways to achieve a particular strategic implementation action and these alternatives should be compared. A cost/benefit analysis is needed, but unfortunately is done too often on narrow grounds. By only looking at the financial costs and benefits without taking a strategic risk-assessment into account one might easily pursue the less favorable project or fail to search for less risky alternatives (Porter 1985).

To assess risk in this strategic context three steps of analysis must be carried out: a specific assessment of which budgetary factors might significantly affect the strategic plan’s success; an assessment of the degree of predictability of each factor; and an assessment of one's own potential for responding to a particular environmental development to ameliorate adverse effects or to take advantage of favorable developments. Thus, the choice of plan alternative should put major emphasis on maintaining strategic flexibility (Eisenstat 1993). Unfortunately, a too narrow financial analysis typically seems to take place which does not pay proper attention to maintaining strategic flexibility. The second aspect of the economic evaluation of the strategic planning activities relates to the aggregation of strategic programs into an overall "package" for the division. Many businesses do not take existing programs into account when choosing the overall "package" of strategic programs; thus, the continued relevance of existing strategic programs is not examined (Kaplan, 2005).

However, even if a "zero-base" approach has been taken to the program package evaluation, another problem seems to be that the package is chosen according to some cut-off point on a cost-benefit ranking, without paying proper attention to how the combination of strategic programs provides the direction agreed upon for the business during the objectives-setting stage. Too often, the strategic programming activities are left open-ended without proper assessment of overall business strategy impact and consistency with the business objectives. When a set of strategic programs has been decided upon it is implied that resource allocations have been made for these programs, often for several years into the future. Without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented (Eisenstat 1993).

However, in most companies there is a long tradition of allocating resources to capital investments through capital budgeting and for strategic expenditures through discretionary expenditure budgets. There is a problem when these traditional resource allocation procedures are not modified to be consistent with the resource allocation pattern implied by the strategic programme activities; the new role for the traditional capital budgeting and strategic expenditure tools should be as fine-tuning and safety-checking devices for the strategic resource allocation pattern, and not as devices to frustrate the progress of strategic programs. Unfortunately the latter might easily become the case, particularly when different organizational staff groups are primarily responsible for the activities (Peng and Litteljohn, 2001).

Many projects are based on cost budget. There is a tendency in the private sector to not properly estimate the true costs of implementing strategic plan for fear of not getting the project funded adequately. The most common of the forgotten costs are the indirect or non-project costs. There is a tendency in some departments to under-estimate the true costs of implementing strategic plan for fear of not getting the project funded. The most common of the forgotten costs are the indirect or non-project costs. Some of the most often overlooked costs include staff related costs (e.g. recruitment costs, training, benefits and statutory payments), start-up costs, overhead or core costs (e.g. rent, insurance, utilities), vehicle running costs, equipment maintenance (e.g. for photocopiers and computers), governance costs (e.g. board meetings, AGM) and audit fees. After all that have been considered, then a budget is drawn for the whole organization (Heller & Aghvelli, 2005).

The primary concern during the budget implementation process is to ensure the fulfilment of the financial and economic aspects of the budget. The financial tasks include; spending the amounts for the purposes specified, minimizing savings and avoiding lapses or rush of expenditures during the end of the year. The economic tasks on the other hand arc; ensuring that the physical targets of programmes and projects are achieved and the macro-economic aspects of the budget such as borrowing and deficit levels are also achieved. In managing budget implementation one of the key areas of focus is the revenue and expenditure flow pattern.

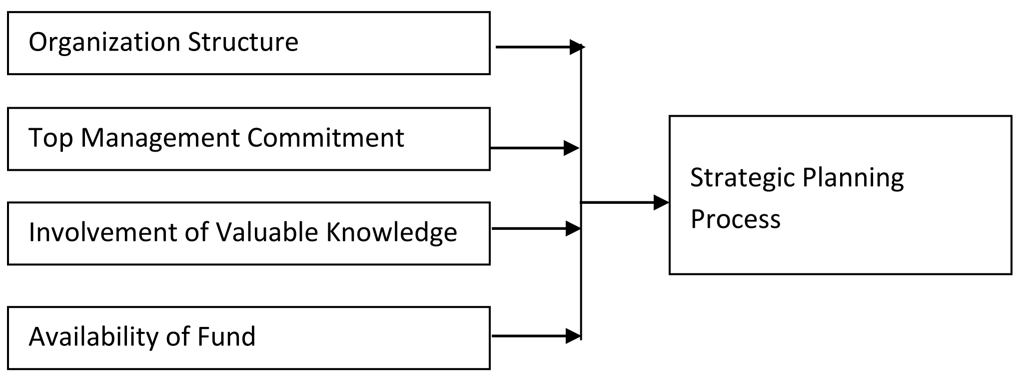
Aggregate revenues tend to be below the projections on which the budget is based as observed by Kiringai and West (2000). In situations when revenue inflow is low and therefore cash releases are effected as budgeted, ministries are often forced to reduce expenditures. As a rule, personnel emoluments and statutory obligations for example debt payments are exempt from expenditure reductions, therefore.-e implementation of development projects and purchase of goods and services suffer severe budgetary reductions (Kiringai and West 2000). This result in distortion of priorities and reduction in productivity as the recurrent costs of development projects cannot be met. One of the major problems in the implementation of the budget especially the development budget (which is the focus of this study), is the recurrent cost problem. Heller & Aghvelli define the recurrent cost problem as the failure to provide adequate funds to operate and maintain a project or programme. The recurrent cost problem arises when the recurrent outlays are sufficiently below the level necessary lo operate or maintain a project at its intended level to result in a noticeable loss in output, inefficiency or an obvious deterioration in plant and facilities (Heller & Aghvelli, 2005).

Premchand (2004) states that implementation of the strategic plan requires an advance program of action evolved within the parameters of the ends of the budget and means available adequate (Premchand, 2004). This framework, he further states, should include the following; identification and enumeration of the implementation tasks, assessment of the suitability of the means of achieving the ends and prospects for the improvement of means if they are less than adequate (Premchand, 2004). The budgetary and economic tasks are rendered operational through the administrative process that comprises four major interrelated phases of work namely; an allocation system under which expenditure is controlled by release of funds, (Muleri, 2001). Supervision of the acquisition of goods and services to ensure value for the money spent, (Brigham, 2005). It was suggested an accounting system that records government transactions and provides a framework for an analysis of their implications (Kadondi, 2002). Another was a reporting system that permits a periodic appraisal of the actual implementation of policies (Ndiritu, 2007).

State Corporations must prepare forecasts of the financial receipts and payments in order to facilitate prompt release of funds for the actualization of their activities and programmes. Release of funds by the Organization of Finance is an instrument that is very critical to the budget implementation process. When planned and affected properly it can facilitate the implementation tasks of spending agencies, while the negative use of the same process may hamper the activities of the agencies. In the course of budget implementation another key factor that has to be taken into account is the issue of cost increases (Cohen, 2004).

In most government programs and projects cost increases are the rule rather than the exception and cases of cost increases have been known to inflate project budgets by as high as 100 percent. These increases have to be anticipated and policies formulated to counteract them or provide for them as has been suggested by Premchand (2004) through creation of a contingency reserve. The phenomena of excess expenditure also critically affect budget implementation (Premchand, 2004). It may occur as a result of cost increase or as a consequence of poor management. Excess expenditures cause instability in the resource allocation process and are discouraged by many government, some even providing legislative restrictions. Schick (1999) observes that a country can have a sound budget and financial system and still fail to achieve its intended targets. This is because the rules of the game by which the budget is formulated and implemented are equally important and do influence outcomes (Schick 1999).

3.0 Conceptual Framework



Independent Variables **Dependent Variables**

Figure 3.1: Conceptual Framework

In the context of implementing strategies, the application of software solutions seems to be neglected. Recent experience has shown that IT-support is gaining more and more importance. Information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and most important provide an early warning of any need to adjust or reformulate the strategy.

CONCLUSION

All organizations, whether private or public face a common challenge when implementing a new strategic initiative: how to successfully manage the changes that will occur as the new initiative is deployed. Some researchers note that organizations fail to implement up to 70 per cent of their strategic plans (Beer and Nohria, 2000; Miller, 2002). Pilkington and Fitzgerald (2006) note that two central themes of operations management concern the case study method and best practices in relation to strategy and context.

Market dynamics have created more challenges for public sector, with the emergence of the global economy, advances in technology, increased societal demands, and the need to provide more social services with fewer resources. As well, a widespread desire for increased organizational scrutiny has increased the pressure for change, given more accessible globalized information systems and heightened media attention critical of government inefficiencies in service delivery. New approaches to management in the public sector are therefore imperative.

While there were no studies found that benchmarked strategic planning process, studies of implementing leading practices in other functional areas of organizations have identified important cultural and organizational elements. These include: leadership championing the implementation effort, market constraints, and recognizing that deploying leading practices is dependent on resolving people, process and technology issues (Detert et al., 2000; Jarrar and Zairi, 2000; Prajogo and McDermott, 2005). Kim and Arnold (1996) produced a process model for operationalizing manufacturing strategic plan, consisting of three constructs, competitive priorities, manufacturing objectives and action programmes for investment. Recent research suggests that linking public sector strategic plans with content and process aids strategic plans implementation improves performance (Brown et al., 2007; Kotha and Swamidass, 2000; Papke-Shields and Malhotra, 2001). While these frameworks emphasize the importance of context and process they do not give details of which operational factors are important, and their role and impact during implementation.

While strategic frameworks emphasize the importance of strategic plans, they do not give details of the risks associated with strategic management process. Of the studies done in the area of strategic management on parastatals, none seems to have explored the risk factors of strategic planning process and thus this study fills the gap by investigating the risks factors in the strategic planning process of parastatals in Nairobi.

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