IMPLEMENTATION OF STRATEGIC MANAGEMENT PRACTICES IN THE WATER AND SANITATION COMPANIES IN KENYA

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Abstract

Strategic management includes understanding the strategic position of an organization, making strategic choices for the future and managing strategy in action. It is a concept that is concerned with making decisions and taking corrective actions to achieve long term targets and goals of an organization. The importance of strategic management in a firm can be answered by analyzing the relationship between strategic management and organizational performance. Strategic management practices can improve efficiency in various organizations. The overall objective of this survey was to study the implementation of strategic management practices in the water and sanitation companies in Kenya, with a view of providing appropriate recommendations and solutions to address the challenges such organizations face. Self-administered questionnaires were distributed to 28 water and sanitation companies that had service provision agreements with Tana Water Services Board (TWSB) to collect data. The response rate of the survey was 82% or that 23 companies replied. The findings of the research showed that all the firms practicing strategic management have a clear objective, a winning strategy to achieve the objective and a sound mission statement to guide the organization towards success. It also proved that the effect of strategic management is positive, allowing organizations to increase profits while accommodating customer needs. However, in order to improve the performance, the implementation of strategic management shall be conducted properly.

Keywords: Strategic Management, Water and Sanitation Companies, Tana Water Services Board, Organizational Performance, Implementation and organization structure.
1. Introduction:

1.1. Background Of The Study:

Water supply and sanitation are among the key issues emphasized under the social pillar of the Kenya Vision 2030. The Vision envisages availability and access of water to all by the year 2030. There is lack of equitable water allocations and permits (Onjala, 2006).

According to the World Bank 2002, effective institutions are required at national, provincial and local level to ensure that all stakeholders can contribute to the decision making process. According to the IMF 2001, transferring water and waste water management to the local government leads to a cost–effective, sustainable use of water. The Water Act 2002 addresses institutional weaknesses that lead to water management challenges as poor organizational structures, conflicting, missing or overlapping functions and responsibilities, bureaucracy, inadequate funds, lack of skilled personnel and shortage of essential facilities.

The economic and business planning framework and priorities have shifted from the short term and tactical to the long-term and strategic (Betts and Ofori, 1992), due to various factors including the particular challenges of the business environment (Benjamin et al., 1984) caused by the increasing global competition in various industries (Levit, 1993).

Strategic management practice is an important practice as it gives a strong influence towards firms’ success. The importance of strategic management in a firm can be answered by looking at the relationship between strategic management and organizational performance. Strategic management does give positive influence, especially in its profitability to the large firms (David, 1997). In Japan, Japanese contractors have successfully out-thought construction firms in many markets in various parts of the world because of the attention they give to business strategy (Hasegawa, 1988). US banks show higher return on equity for banks which had both a strategic commitment to planning and provided regular strategic management training. Firms with good performance such as The Body Shop, Sony and Merck effectively exploit visionary strategies. Strategic management is now becoming more widely used by many large organizations that are allocating substantial resources to the task (Price et al., 2003) and generally strategic management practices can improve efficiency in various organizations. The application of strategic management in business for various sectors has long been adopted as a response to market demand, variations in clients’ taste and changing of technology. The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations. Having a good strategy is one of
the important factors that enable the organizations to survive and go further. However, many water and sanitation companies in Kenya are yet to effectively implement the strategic management practices so as to benefit fully from strategies formulated. This paper investigates the practice of strategic management implementation by the water and sanitation companies in Kenya and its relationship with their company’s performance.

1.2. Statement Of The Problem:

Kenya is a water scarce Country and faces numerous management challenges (Onjala, 2006). Water supply and sanitation are also among the key issues emphasized under the social pillar of the Kenya vision 2030. The vision envisages availability and access of water to all by the year 2030. Onjala (2006), states that, there has been lack of equitable water allocations and permits based on allocation plans.

Wambulwa, (2008) argues that the water reform process albeit on a positive direction, faces challenges in funding, bureaucracy and too many institutions which do not work harmoniously towards the success of the reforms. A study conducted by the Ministry of Water and Irrigation on the National Water Services Strategy (NWSS) between 2005 and 2007 revealed that the institutional framework to adequately carry out the water sector reforms was not properly functional. In addition, the study found out that inadequate strategies were lacking and funds to expand water to all underserved areas in the republic were insufficient and misappropriated. Moreover, the sector lacks the resources and capacities required to adequately carry out water sector reforms (Ombogo, 2009).

Strategic management includes strategy formulation, strategy implementation, and evaluation and control (Wheelen and Hunger, 1984). It also can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives (David, 1997). The strategic management process requires competent individuals to ensure its success (Stahl and Grigsby, 1992). To be more effective, Hunger and Wheelen (2003) noted that people at all levels need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environment shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques.
According to Osborne and Gaebler (1992), that strategic management appeared to be part of a package management innovations design to ‘reinvent’ or ‘modernize’ the public sector.

From the above, there exists a gap in the adoption of strategic management practices. This study aimed at filling the gap by looking at the implementation of strategic management practices in the water and sanitation companies in Kenya.

1.3. Objectives Of The Study:

The objectives of this paper were as follows:

- To study the practices of strategic management in water and sanitation companies in Kenya;
- To determine how implementation of strategic management is being practiced; and
- To study the impact of strategic management implementation in water and sanitation companies in Kenya on their company’s performance.

1.4. Hypothesis:

Ho: There is no implementation of strategic management practices in water and sanitation companies in Kenya

2. Literature Review:

2.1. Strategic Management in General

Strategy has different meanings to different people and so it is hard to agree on what strategy is. According to Mintzberg et al. (1998) there is no single, universally accepted definition of strategy. The early definition of strategy was provided by the American business historian, Chandler (1962) who defined strategy as determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals. Mintzberg (1994) defined strategy in terms of 5ps i.e. plan, ploy, pattern, position and perspective. According to Johnson et.al (2008), strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.

In terms of strategic management, it can be defined as a set of managerial decisions and actions that determine the long-run performance of an organization. According to Johnson et al (2008), strategic management includes understanding the strategic position of an organization, making strategic choices for
the future and managing strategy in action. It includes strategy formulation, strategy implementation, and evaluation and control (Wheelen and Hunger, 1984). It can also be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives (David, 1997). Strategic management has evolved into a more sophisticated and potentially more powerful tool (Stoney, 2001). The strategic management process requires competent individuals to ensure its success (Stahl and Grigsby, 1992). The top management of an organization has responsibility to ensure organization success and overcome any competition that occurs. However, to be more effective, Hunger and Wheelen (2003) noted that people at all levels, not just top management, need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environment shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques.

2.2. Strategic Management Process

Strategic management is designed to effectively relate the organization to its environment. The environments include political, social, technological, and economic elements (Sharplin, 1985). Various strategic management models were introduced by Sharplin (1985), Greenley (1989), Certo and Peter (1991), Stahl and Grigsby (1992), David (1997), and also Hunger and Wheelen (2003). Majority of authors have put strategy formulation, implementation of organizational strategy and strategic control focuses in their models. Planning strategy and environmental analysis phase are also important and most of the authors put this phase under formulation phase (Stahl and Grigsby, 1992; David, 1997). Generally, strategic management process can be divided into three phases, i.e., the formulation phase that aims at ensuring that organizations achieve their objectives (Certo and Peter, 1991). David (1997) stated that strategy formulation include deciding which business to pursue, how to allocate resources without hostile takeovers and whether to enter international markets. He also stated that strategy formulation phase comprises development of a mission statement, identification of external opportunities and threats, determination of internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing the best strategy to be implemented. The second phase is the implementation phase. This is a stage that initiates activities in accordance to strategic plans (Sharplin, 1985). It requires firms to establish objectives, devise policies,
motivate employees, and allocate resources to execute formulated strategies.

Certo and Peter (1991) stated that without the effective strategy implementation, organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction, and formulating organizational strategy. The final phase is the evaluation and control phase that requires information to be obtained on strategic performance and comparing it with existing standards (Certo and Peter, 1991). Evaluation is also done by reviewing current strategies, measuring performance and taking corrective actions. Strategy evaluation is needed because success today is no guarantee of success tomorrow. Success always creates new and different problems; complacent organizations experience demise (David, 1997).

2.3. Strategic Management in Water and Sanitation Sector

Stoner & Wankel (1987) stated that effective management must have a strategy and must operate on the day-to-day level to achieve it. Chinowsky and Meredith (2000) noted that the rapid advance of technology, communication, and market had made the global perspectives of time, distance and spatial boundaries changes. The desire for the firms to change has become more from a fear of being left behind by competitors than from a belief in the benefits of innovation (Burns and Stalker, 1961).

With regard to process, the ways in which policies are developed is a major determinant of the quality of eventual policy outcomes. In 2008, the UN conducted an international review of progress in integrated water resources management (IWRM) plan development and their implementation. Africa was found to be lagging in comparison with Asia and the Americans, while most had put IWRM policies in place or was in the process of doing so, only 38% of the African countries surveyed had completed IWRM plan and few had implementation substantially under way. The same report noted that implementation needs to be prioritized, road maps agreed to, and financing strategies for implementation prepared.

In Uganda there has been progress made in increasing the competitive environment for bidding on water sector projects so that unit costs of service provision between projects are comparable and are independent of project funding sources and implementing agencies. Good sector monitoring systems and procedures has helped ensure that unit costs could be tracked (Cowater International Inc. 2008a).

Nashuri (2006) noted that lack of information impedes the planning and management
process. Admittedly, water master plans had been developed and occasionally, often with donor financing, but there were no integrated systematic data collection evaluation.

Koudstaal et al., (1992) noted that many of the key implementation water strategies challenges involve the establishment of sustainable policies and laws, viable political institutions, workable financing arrangements that would help to mitigate the crisis.

Walters’ (1997) assessment resonates with the conclusions of Lee(1993) who found that the following factors inhibited implementation and realization of claimed benefits; high costs of information gathering and monitoring, the resistance from managers who fear increased transparency and the fear of failure.

3. Research Methodology:

3.1. Research Design:

This study used positivism research paradigm. The concept of positivism is directly associated with the idea of objectivism. This study used survey method for collecting data where questionnaires were distributed as a prime source of getting primary data.

3.2. Sample And Sampling Procedure:

In this study the target population was the water and sanitation services providers that had water service provision agreements with Tana Water Services Board in Kenya. In total these organizations were 28. (Source: Tana Water Services Board, Nov 2014). The target respondents were the managing directors, financial directors or human resource managers.

A census approach was used because it affords more extensive and detailed study and therefore it provides more accurate and exact information as compared to the sample enumeration (Gupta, 1994), therefore there was no need for a representative sample.

The Managing Directors, Financial Directors and HR managers were regarded as a suitable unit of analysis since they are the policy makers, and are the implementers of strategic practices and are therefore better placed to give an opinion on the implementation of strategic management practices in water and sanitation companies in Kenya.

3.3. Research Instruments And Data Collection Analysis:

Questionnaires were sent to 28 respondents using drop and pick later method. From 28 questionnaires disseminated to water service providers in Tana water services board in Kenya, 82% or 23 of the completed questionnaires were returned. Data collected was analyzed by using relevant statistical methods as frequency; cross-tabulation,
correlations and regression to establish findings. In addition, the data was also analyzed using Relative Important Index (RII) for ranking purpose based on Equation (1) (Tam et al., 2000).

Equation 1: \( \text{RII}/\text{An} = \sum w \)

Where \( w \) is the weight given to each factors by the respondent.

\( A \) is the highest weight, in this study \( A=4 \)
\( n \) is the total number of sample.

RII is relative important index, \( 0 \leq \text{RII} \leq 1 \).

The questionnaires were divided into 3 main parts as follows:

1) Part 1: Respondent’s Profile.

Questions on the respondent’s profile such as the respondent’s age, position in the firm and the length of time the respondent has been working in the firm.

2) Part 2: Organization’s Profile.

Questions on the organization’s profile such as the organization’s status, ownership and age, annual work done value, net profit estimation and the respondent’s personal opinion on the organization’s performance.


Questions were designed to identify the implementation of strategic management practices in water and sanitation companies. There are seven variables that were used in the study including mission statement, external environment, internal environment, objectives, strategies, policies and strategic planning.

4. Results And Discussions:

4.1. Respondent’s Background

From the analysis, the job designations of respondents are mainly managing director (48%), Human Resource Manager (30%) and Financial Manager (22%). In terms of the length of time officers had been working for the organization, the respondents showed that, 52% had worked for less than 5 years, 39% for 5 to 10 years and 9% between 11 and 15 years. In terms of experience before joining the organizations the respondents indicated that, 17% had worked for less than 5 years, 35% for between 5 and 10 years and 48% for between 11 and 15 years. In terms of value of organization’s annual work of respondents, 78% of the respondents are involved in projects worth more than Ksh 50,000,000 and 13% respondents are from projects worth between Ksh 20,000,001 - Ksh 50,000,000, while the remaining 9% involved projects less than Ksh 20,000,000.

4.2. Organization’s Objective
Objective is an important element to be considered in organization’s strategy towards success. It is important because objective provides a clear direction, aids evaluation processes, creates positive competition, identifies priorities, enables coordination and sets a basis for planning, organizing, motivating and controlling activities.

From the analysis, majority of respondents (87%) stated that their organization had an objective in running their operations. Only 9% of respondents claim that they did not have an objective and 4% respondents were unsure.

4.3. Organization’s Strategy

Strategy refers to a complete program used to achieve the long term objectives of an organization. Different strategies are used in different situations and performances of the firm. From the questionnaire analysis, 78% or 18 respondents state that their firm is equipped with the strategy to achieve its objective, while only 13% of the respondents stated that they did not have a strategy and 9% respondents were unsure.

4.4. Organization’s Mission

From the analysis, most of respondents (78%) have mission statement. Only 3 respondents or 13% claim that they did not have mission and 9% respondent were unsure of their organization’s mission. This shows that almost all respondents are aware of the importance of mission in their organization.

It can be seen that the number of organizations that had a mission was similar with the number of organizations that had strategy; this was probably because the strategy cannot be formed without a proper mission.

4.5. Written Planning in an Organization

In respect to the number of organizations that had a written form of planning, majority of respondents (78%) claimed that their organization incorporated planning in written form.

It was also found out that 4 respondents or 17% indicated that they did not have written plan and another 5% respondents were simply unsure. This indicates that 18 respondents performed formal strategic management while the rest performed informal strategic management.

A cross tabulation analysis between organization’s annual work done and written planning in an organization indicated that among the organizations that performed written plan, 19 or 83% of respondents are from projects worth more than Ksh 50 million. It was also found out that 11% of respondents that had a written plan were involved in project between Ksh 5,000,001- Ksh 50,000,000. Among the firms which did not have written planning, only 3 or 9% of respondents were from projects worth more than Ksh 50 million.
plan, 3 or 75% of respondents are from projects more than Ksh 50 million and 25% of respondents are from project of between Ksh 20,000,001-Ksh 50,000,000. On the whole, firms that practice written plan tend to involve in an annual work done average of more than Ksh5 million. It can be concluded that a firm that practices strategic management will be able to undertake projects of higher values which can generate higher profit for the organization and essentially better performance and satisfy the customers better.

4.5. The Organization Management Planner

Table 1 shows list of people that were involved in management planning that was divided into 4 main categories, which included self-planning, financial planning, employees and others.

Based on table 1, most of respondents (45%) stated that the organization’s plan was designed by their own. These respondents held the position of managing directors and thus are in charge of the organization’s planning. Besides that, 14% or 3 respondents stated that the management plan of their organization was designed by financial planning and equally by others, while 27% of the respondents claim employees as planner.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Self-planning</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Financial planning</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>6</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>22</td>
<td></td>
</tr>
</tbody>
</table>

4.6. The Accuracy of Planning with the Organization’s Real Operations

To measure the accuracy of planning with the organization’s real operations, 4 categories were taken into consideration, that are 100% accurate, more or less 75% accurate, more or less 50% accurate and unsure.

From table 2, most of respondents (61%) stated that the accuracy of their organization’s plan with organization’s real operation were more or less 75% accurate. This shows that planning in most of the organizations was in line with the organization’s operations, even though it was not 100% accurate. This is followed by more or less 50% category (31% respondents) and 4% of respondents were unsure. One respondent or 4% claimed that their planning is 100% accurate with the organization’s operations.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing</td>
<td>System</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>23</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: The Organization Management Planner

Table 2: The Accuracy of Planning with the Firm’s Real Operations
### 4.7. Organization sensitive to changes in its surroundings which creates the need for an internal and external analysis (SWOT)

According to table 3, most of respondents (65%) claimed that their organizations were sensitive to the changes in their surroundings and regularly carried out a SWOT analysis. Besides that, 5 respondents or 22% stated that their organizations were insensitive to the changes in their surroundings and do not perform a SWOT analysis, while 3 respondents or 13% were unsure.

**Table 3: An organization is sensitive to changes in its surroundings which creates the need for an internal and external analysis (SWOT)**

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Valid percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% accurate</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>More or less 75% accurate</td>
<td>14</td>
<td>61</td>
<td>65</td>
</tr>
<tr>
<td>More or less 50% accurate</td>
<td>7</td>
<td>31</td>
<td>96</td>
</tr>
<tr>
<td>Unsure</td>
<td>1</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

### 4.8. Organization’s Strength

Table 4 shows the strength of the organizations that participated in the survey. By using Relative Important Index (RII), the strengths were ranked accordingly.

In term of importance, good client relationship ranked 1, followed by excellent image and reputation, strong financial position, efficient organization structure and so on, as shown in table 4.

**Table 4: Ranking of Organization’s Strength**

<table>
<thead>
<tr>
<th>Variables</th>
<th>RII</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good client relationship</td>
<td>0.737</td>
<td>1</td>
</tr>
<tr>
<td>Excellent image and reputation</td>
<td>0.699</td>
<td>2</td>
</tr>
<tr>
<td>Strong financial position</td>
<td>0.663</td>
<td>3</td>
</tr>
<tr>
<td>Efficient organization structure</td>
<td>0.644</td>
<td>4</td>
</tr>
<tr>
<td>Dynamic management skills</td>
<td>0.631</td>
<td>5</td>
</tr>
<tr>
<td>High profits</td>
<td>0.564</td>
<td>6</td>
</tr>
</tbody>
</table>

In relation to correlation of the organization’s performance with the identified organization’s strength, it showed that the correlation for the performance multiplier and identification of the strengths of the organization were positively related to each other. An efficient organization structure and the excellent image and
reputation are the strongest factors influencing an organization’s strength, compared to other aspects such as dynamic management skills, strong financial plan, high profit as well as good client relationship.

Dynamic management skills and efficient organization structure must have a strong link due to the nature of both aspects that largely deal with clients. These two factors recorded a correlation value of 0.684. Besides that, excellent image and good client relationship also have a strong link due to the nature of both aspects that largely deal with employee management, recorded an acceptable correlation value of 0.682.

5. Findings, Conclusions and Recommendations:

5.1. Findings:

There are several findings that have been established in this study. First, the findings of this paper have shown that most of water and sanitation companies in Kenya are practicing strategic management in one way or the other and majority of these companies have clear objectives, winning strategies to achieve the objectives and a sound mission statement to steer the organization towards success and growth. Most of these companies have some form of written planning system that is mostly formulated by the managing director without much involvement of other employees.

Secondly, the study found that most water and sanitation companies in Kenya are able to identify the strengths and weaknesses of their organizations which are reflected by management skills, organization structure, client relationship, image and reputation and profit.

Thirdly the study also found that the water and sanitation companies that implemented written planning system gained higher performance, which further consolidates the fact that strategic management, is crucial in order to be competitive, succeed and grow. The water and sanitation companies that do not practice strategic management are a minority, but these companies generate a lower performance and undertake limited project works annually. Thus, firms should focus more on efficient organization structure to be competitive in the challenging environment.

5.2. Conclusions:

Strategic management is a management process that was utilized specially to increase the performance of an organization's operations and administration. The application of strategic management practice in organizations can help the organizations to enhance their performance through improved effectiveness, efficiency and flexibility. This study had proved that the effect of strategic management is positive, allowing organizations
to increase profits while accommodating customer needs. However, in order to improve the performance, the implementation of strategic management shall be conducted properly. It shall analyze the external environment to obtain information in term of threats and opportunities, and carry out the internal environment assessment to evaluate the firm’s strengths and weaknesses in order to cope with the threats and opportunities.

Equally, to remain competitive in a long run, efficient organization structure should be focused upon as strategic management process as it allows the expressed allocation of responsibilities for different functions and processes to different entities and is directly linked with the corporate culture. In today’s dynamic business environment, organizations need to re-structure themselves depending on the changing environmental factors and the organizational business strategy. A change is effected in organizations by organization structure to maximize efficiency and minimize costs under the prevailing circumstances.

5.3. Recommendations:

The study makes the following recommendations based on the findings;

1. Strategic management needs to be taken seriously by the organizations if they expect to be competitive and remain in business.

2. Strategic management needs to be formalized for it to be more effective and useful to organizations. This would make the organizations to perform better and thus succeed in the turbulent environment which is ever changing.

5.4. Suggestions For Further Research:

The study recommends further research on factors influencing the adoption of strategic management practices in the water and sanitation companies.
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