International Journal of Business & Law Research 4(2):72-90, April–June, 2016

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The Management Perception on the Effect of External Environment towards Challenges of Strategy Implementation in Selected Sugar Companies in Kenya

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ABSTRACT

The sugar industry plays a key role in driving Kenya's economy by contributing about 15% of the country's Agricultural GDP. In overall terms, agriculture contributes nearly 27% of the Nation's GDP. In the recent years, Kenya's sugar sector's performance has been on a downward trend despite good strategic planning efforts. While there is empirical evidence which suggests that strategic planning and implementation generate positive outcomes for organizations, some of the literature reviewed indicated that strategies fail at the point of implementation not at the formulation state, with most of the failure rate going as high as 90%. In the developing countries, little attention has been given to study the challenges of strategy implementation and almost none existent empirical study in the sugar sector. This study sought to find out the challenges of strategy implementation in the sugar companies in Kenya. The study sought to determine the effect of the external environment scanning on strategy implementation. The unit of analysis used in this study was the sugar companies while the unit of observation was the top, middle and lower level management of the sugar companies sampled. Descriptive and correlation research designs were used. A sample size of 122 respondents, representing 67% of the target population was applied. Stratified and simple random sampling methods were also used. Primary data was collected from the top, middle and lower management employees of the sampled sugar millers in Western Kenya using personal interviews guides. Data was analyzed and presented using the Statistical Package for Social Sciences (SPSS). Descriptive and inferential statistics were used to present the results of this study. The study established that managerial skills had a statistically effect in strategy implementation in Kenya's sugar industry. The correlation analysis also indicated that there is a positive significant relationship between external environment and strategy implementation. The positive relationship was represented by 0.381 and the number of respondents was 111. Regression analysis was done where the results indicated that external environment had a goodness of fit of 14.5% indicating that external environment explained 14.5% of the variation in the strategy implementation in sugar companies in Kenya. The results and findings therefore conclude that there was significant association between external environment and strategy implementation in selected sugar companies in Kenya. The management should also ensure that their organizations have strong internal control environment where internal control activities that inform policies and procedures are adequate.

Key Words: Environment, Performance, Scanning, Strategic Change, and Strategy implementation, Management Perception

INTRODUCTION

Strategy management has generally had positive effects on the organizations performance in the 2000s (Hitt, Hoskisson & Ireland, 2011; Bambang, Arvand, & Ahmad, 2014). Strategy implementation is not only the biggest issue facing business today; it is something that nobody has explained satisfactorily. Other disciplines have no shortage of accumulated knowledge and literature Bossidy & Charan, 2011). The agriculture sector and in particular, agro-based industries has not been spared by these positive outcomes on application of strategic management. Strategy implementation is the second stage of the strategic management process and although it the most important stage with a myriad challenges, it's an area of study that more often than not, it's given less attention as compared to strategy formulation, (Tan, 2004). This study will therefore investigate challenges of strategy implementation encountered by sugar companies in Kenya which is an agriculture sector and a key pillar in achieving vision 2030.

Agriculture is critical to the achievement of Vision 2030 (ROK, 2015) and its the mainstay of the Kenyan economy directly contributing 25 per cent of the GDP annually, and another 25 per cent indirectly (MOA, 2014). The sector accounts for 65 per cent of Kenya's total exports and provides more than 70 per cent of informal employment in the rural areas (ROK, 2015). Aside from tea, coffee and flowers, sugarcane, is the most critical crop that feeds the Kenyan economy (Awino, Imaita & K'Obonyo, 2011). However, the sugar companies have had numerous challenges of under-performance (MoA, 2014). Sugar companies as well as the defunct Kenya Sugar Board, which is now referred to as the Sugar Directorate under AFFA, make robust strategies and plans. However, the biggest question is why have the good turn around plans not been translated to improvement in overall performance of the sugar companies? Sugar companies continue to receive cash bail out from the National Government for example in June 2015 Mumias Sugar Company received Kshs 1 billion shillings cash bail out against an expected cash bailout of Kshs 6billion (ROK, 2015). Other sugar companies such as Muhoroni and Miwani sugar factories have failed to come out of receivership for over 20 years. Persistent failure to pay sugarcane farmers on delivery of cane has caused arrears that have pushed sugar factories to near collapse due to huge debts. The Kenya National Federation of Sugarcane Farmers (KNFSF) is more often than not worried that losses and increased indebtedness are a recipe to drive companies into receivership.

Strategic management and more specifically strategy implementation has become a significant topic in today's world of uncertainty (Speculand, 2014; Amrule, 2013; Lester & Parnell, 2008; Mauborgne & Kim, 2015).Organizational competitive advantage rests on the ability of organizations to scan proactively and executive strategies (Qiu, 2008; Anderson, 2015) while ensurring that the strategy development and strategy execution remains a "fair process" (Mauborgne & Kim, 2015). Strategic decisions are crucial to ensure heterogeneity of organizational behavior and creation of value as well creation of new value (Kaplan, Norton & Barrows, 2011). To win in the future, companies must stop competing with each other and the only way to beat competition is to stop *trying* to beat competition, (Mauborgne & Kim, 2015). A critical question in research on strategic management has been to answer the questions of "why do some organizations establish successfully and some fail?" and "what are the processes that allow organizations to establish successfully in business?"(Collis and Rukstad, 2008) whereas some, CEOs cry "help! My ocean is turning red" (Mauborgne & Kim, 2015). Going by this scholarly articulation, there is therefore inadequate research on the influence of strategic management processes on the performance of the sugar millers in Kenya. Therefore, this research aims to explore the influence of strategic management process and the performance of the Kenyan sugar millers. There is no doubt strategic thinking is increasingly vital and developing strategy does not get any easier (Anderson, 2015). The cardinal rule in the business world is that enterprises are created to achieve the long-term and short-term objectives of their stakeholders. To achieve the goals and objectives, most enterprises use their strategic planning in order to select the right strategies and manage the internal environment. The planning also allows them to identify their competitive advantage and decide how to adapt to the changes in economic conditions and government policies (Bartol et al, 2001; Grant, 2003;Johnsons and Scholes, 2002; Aiyabei, 2013). Other studies have identified that strategic management as the process of setting and accomplishing goals through the use of human, R&D, technical, and financial resources within the context of the environment (Drury, 2005; Speculand, 2014). In any industry, strategic management processes namely; environmental scanning, strategy formulation, strategy implementation, control and evaluation, have a significant role in enabling manufacturing industries to adapt to changing environments as well as sustaining their performance (Pearce and Robinson, 2011). Strategic management therefore emphasizes long term performance of a firm, (Wheelen & Hunger, 2006) and improve its chances of success (Schwenk & Shrader, 1995; Qi, 2010; Pearce & Robinson, 2011).

Strategy Implementation

Strategy implementation is quite often difficult than formulation of strategy and its failure is attributed to management (Hrebniak, 2006). The successful implementation of strong and robust strategies will give any organization a significant competitive edge (Maas, 2008; Speculand, 2014), especially in industries where unique strategies are difficult to achieve (Noble, 2009). Strategy implementation is even more important in turbulent times such as the sugar industry in Kenya, which has experienced many turbulent times as they compete with cheap sugar from the COMESA countries in addition to delayed payment of suppliers, farmers, under capacity utilization and frequent uncoordinated closures of sugar companies. The sugar industry environment in Kenya, in which the millers operate in, whether public or private, is increasingly dynamic and even turbulent (Volberda, 2006; D'Aveni, 2009; ROK, 2015).

The attainment of an appropriate match, or "fit", between an organizations environment and its strategy, structure, culture and processes has positive effects on the organization's performance (Wheelen & Hunger, 2006). Increasing stock of unsold sugar in the industry has a negative impact on the sugar industry which the Kenyan sugar industry has experienced in the recent past. Globally, the Kenyan sugar industry is the one of the most lucrative investment, only second to the European Union, (World Bank, 2013). Effective strategy implementation has positive effects that include improved performance, improved management efficiency and effectiveness and innovation, (D'Aveni, 2009). Moreover, structural failures in modern corporations and abuses of corporate power have triggered a collapse in public confidence (Garegnani, Merlotti, & Russo, 2015). According to Hrebniak (2006), most managers know so much about strategy formulationt than they do about strategy implementation, yet implementation should be given more emphasis. Zagotta and Robinson (2002) postulates that most companies do not have the tools to execute strategy successfully. According to Sorooshian, Norzima, Yusof and Rosnah (2010), failure of strategy implementation efforts causes enormous costs to the organization that includes wastage of resources, considerable amount of time, leads to lower productivity, lower employee morale, diminished trust and faith in senior management, inefficient use of resources and decline in performance. Jooste and Fourie (2009) indicate that the high failure rate of strategic chanqe initiatives can be attributable to poor implementation of new strategies, and the lack of strategic leadership have been idenfified as one of the major barriers to effective strategy implementation. Most companies have the know how to create strategy, and this is evident in the sugar sector where individual sugar companies have often developed strategic plans aimed at making them competitive and profitable. As earlier highlighted, (Tan, 2004) indicates that strategy implementation is an important stage in strategic management process, yet not much study, particularly in developing countries, has been given to it as compared to strategy formulation. This study concentrates on challenges of strategy implementation in the sugar companies in Kenya.

Kenyan Sugar Industry

The development of the sugar industry in Kenya started with private investments at Miwani in 1922, followed by Ramisi Sugar company in 1927 and after independence six additional companies were established i.e. Muhoroni in 1966; Chemelil in 1968, Mumias in 1973; Nzoia In 1978; South Nyanza in 1979; West Kenyain 1981 and Soin in 2006. These parastatals were formed in order to accelerate socio-economic development, address regional economic imbalances, increase Kenyan citizen's participation in the economy, promote indigenous entrepreneurship and promote investment through joint ventures (Kenya Sugar Board, 2014). The Kenyan sugarcane industry is a major employer and contributor to the national economy. Sugarcane is one of the most important crops in the economy alongside tea, coffee, horticulture and maize (ROK, 2014). By far, the largest contribution of the sugarcane industry is its silent contribution to the fabric of communities and rural economies in the sugar belts (Awino, Imaita & K'Obonyo, 2011). Farm households and rural businesses depend on the injection of cash derived from the industry. The survival of small towns and market places is also dependent on the incomes from the same. The industry is intricately weaved into the rural economies of most areas in western Kenya.

Besides the socio-economic contributions, the industry also provides raw materials for other industries such as bagasse for power co-generation and molasses for a wide range of industrial products including ethanol. Molasses is also a key ingredient in the manufacturing of various industrial products such as beverages, confectionery and pharmaceuticals. Kenya has an annual sugar deficit of around 200,000 tones as indicated in table 1.1 in the annex, which is usually filled by imports from the other producers in the region (KSB, 2014). The country is struggling to improve output due to relatively high production costs and loss making sugar factories (MoA, 2015). Kenya Sugar Board said Kenya produced 591,658 tons of sugar in 2014, 1.4 per cent drop from a record harvest of 600,179 tons in 2013.

The sugar industry also experiences unregulated and uncoordinated closure of factories by the millers. An example is when in 2014 Mumias sugar factory in Western Kenya was closed for a period to allow its cane to mature and for maintenance (MOA, 2015). There was also an unscheduled closure of Kibos Sugar factory after its boiler broke down, as well as scheduled shutdown of West Kenya sugar Company for maintenance (MOA, 2015). As earlier highlighted, Sugar companies such as Muhoroni sugar company and Miwani sugar factory have failed to come out of receivership for over 20 years. Persistent failure to pay sugarcane farmers on delivery of cane has caused arrears that have pushed sugar factories to near collapse due to huge debts. The Kenya National Federation of Sugarcane Farmers (KNFSF) is more often than not worried that losses and increased indebtedness are a recipe to drive companies into receivership.

In Kenya, all the sugar companies have developed strategic plans but the major question that remains unanswered is their implementation, what challenges do they face in their execution?

Study Problem

Despite good strategic planning, in the last five years, the performance of the sugar companies in Kenya is under crisis and is not showing signs of improvement. And most critically the annual production from the eleven sugar millers has not met domestic consumptions nor matched annual forecasted estimates (MOA, 2015). According to a study by Fortune magazine in 2009, 90% of the strategies are unsuccessful while Kaplan and Norton (2011) identified that more than 90% of the strategic initiatives fail not due to formulation but implementation challenges. Similarly Raps (2004) indicates that the rate of successful implemented strategies is between 10-30% implying that the rate of failure is between 70% and 90%. The weak application of strategies is the single most important cause of unsuccessful strategy implementation (Waterman, Peters & Phillips, 2008). Organizations incur enormous costs which are attributed to failure of strategy implementation and therefore lack of preparedness to organizational goals. Effective strategy implementation has been used successfully by non-performing organizations to prepare for the challenges of the future and improve on their long-term performance (Zafar, Babar, & Abbas, 2013; Garegnani, Merlotti, & Russo, 2015).

According to the Kenya Sugar Industry strategic plan 2010-2014, all sugar industries need to be privatized in order to compete effectively. Despite developing strategic plans, public sugar companies in Kenya rely on Government cash bail out to make them survive. For example Mumias Sugar Company received over Kshs 1 billion in June, 2015 from the National Treasury against an unexpected over Kshs 6billion (RoK, 2015). The industry produces 68% of Kenya's domestic sugar requirement, making the country a net importer of sugar (RoK, 2013). The decline in sugarcane production and sugar output can be attributed to the existing major problems in the industry; the rising level of inefficiency in sugar production, milling and transportation. Due to factors attributed to performance, the Kenya sugar industry has not met COMESA sugar safeguards for the last 12 years, since 2001 (ROK, 2014). This has resulted in the Government of Kenya request for extension of the COMESA safeguards year in year out. Kenya's sugar production has recorded under production from the various sugar millers, against what is expected from the forecasted annual production (MOA, 2015). According to Delmar and Shane (2003), strategic implementation increases the chances of survival of a business, improves product development process and the organization of a newly created companies. The impending expiry of preferential trade tariff prices from the COMESA region in 2016 will complicate matters to the local millers as there sugar will compete with cheap imported sugar. Aside from tea, coffee and flowers, sugarcane, is the most critical crop that feeds the economy, (Awino, Imaita, & K'Obonyo, 2009). Specifically, the economies of 11 counties in Kenya are heavily depended on the sugar industry (ROK, 2014).The sugar industry is a major contributor to the agricultural sector which is the mainstay of the economy and supports livelihoods of at least 25% of the Kenyan population (Awino, Imaita, & K'Obonyo, 2009).

Although, there has been increased interest in understanding the problems facing the sugar sector in Kenya, there is an apparent limited literature on the challenges of strategy implementation and its effect on the performance of the sugar companies. Theoretical studies on strategy implementation and empirical studies on successful strategy implementation have mostly been carried out in developing world (Okumus, 2001) and in other sectors. According to Aldehayyat and Twaissi (2011), there is inadequate literature addressing the linkage between strategy implementation and the performance of firms, small and micro-enterprises in Africa. The literature that is existing has provided general conclusions on management related factors, (Njanja and Pellesier, 2010; Beaver & Prince, 2002; Amrule, 2013). In addition, most of the literature that exists has focussed on financial performance measures (Kargar & Blumenthal, 1994). However, according Qi (2010), it is not enough to analyse a firm's performance using financial outputs alone because the environment in which firms operate in is quite dynamic and ever changing. Firm performance can be influenced by other strategy implementation. Despite well crafted strategies, the sugar companies are facing strategic issues such as capacity underutilization, lack of regular factory maintenance, poor transport infrastructure, and weak corporate governance, sustained under production that leads to sugar imports to meet the ever-increasing domestic demand. Unlike war, however, history shows us that the market universe has never been constant; rather, blue oceans have continuously been created over time (Kim & Mauborgne, 2015). The role of the sugar sector in Kenya's national development and achievement of Vision 2030 cannot be over emphasised. It's therefore of great interest to scholars, policy makers, managers and other stakeholders to know from empirical research the challenges of strategy implementation faced by the sugar companies in Kenya. With respect to Kenya, none of the previous studies have examined the challenges of strategy implementation by sugar companies and this study aimed at filling this gap in existing literature.

Objectives of the Study

The main objective of this study was to determine the challenges of strategy implementation in the sugar companies in Kenya. Specifically, the study examined the effect of managerial skills on strategy Implementation in Sugar Companies in Kenya.

LITERATURE REVIEW

The Concept of Strategic Management

The performance of any business organization in a competitive economy is highly dependent upon the quality of its management via effective implementation of strategic plans. Strategic management is the need of the organization and is an on-going debate. Strategic management has been successfully used by the ailing corporate organization to prepare for the challenges of the future and improve long-term performance (Zafa, Babar, & Abbas, 2013). In the current business world, knowledge evolves rapidly and the useful lifespan of the organizational skills is decreasing, which means the survival and competitiveness of organization is linked to its ability to learn and include its findings in their strategic management (Pearson & Robison, 2011). The formulation of strategy is very important for any organization but the most important stage that will cause significant differences is the stage of implementing the strategy which has been crafted (Kotter, 1990). More than 70% of the organizations come up with excellent strategies but they face many bottle necks when it comes to translating them into action.

Elements Of Strategic Management

There are four key elements of strategic management: environemtal scanning, strategy formulation, strategy implementation, evaluation and control. In this ever-changing world the corporate also have to look at corporate governance, social responsibility and business ethics while making strategies. Environmental scanning is a process of scanning the evaluating the environmental factors (internal-looking at strengths and weaknesses and external-looking at threats and opportunities) so as to identify threats and opportunities.Strategic planning is a management process developed for the purpose of intentional strategy development (Jarzabkowski, 2005). Strategic planning has many favorable effects to a firm that include improvement in firm performance, it improves management efficiency which in turn leads to better ability to identify and maximize on market opportunities (Amrule, 2013). According to Skrt & Antotic (2004), strategic planning became mandatory for entrepreneurs in the context of global competition, technological change, and market dynamics. Strategic decisions are crucial to ensure heterogeneity of organizational behavior and creation of value as well creation of new value (Kaplan et al., 2011).

Omran &Korshid (2014) indicate that policy and decision makers need an intelligent, robust and more confidence mechanism to help them analyze the future impacts and overcomes the future high uncertainty and complexity of the business environment. All environmental scanning and analysis methods in literature help the decision makers in the strategic decision process. It has been observed that strategy concerns what an organization is doing in order to gain a sustainable competitive advantage (Porter, 1980). The principal concern of an organization strategy is identifying the business areas in which an organization should participate in to maximize its long run profitability. Johnson and Scholes (2004) view strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and fulfill stakeholders' expectations (Mauborgne & Kim, 2015). Johnson and Scholes (2004) points out that strategy comprises actions employed to meet a firm's long-term objectives. Strategy, according to Jones & Hill Jones (2009) is an action that a company takes to attain one or more of its goals and therefore superior performance. Strategy is the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission (Thompson & Strickland, 2010). Raps (2004) in a more elaborative version, recognized strategy as the pattern of major objectives, purposes or goals, stated in such a way as to define what business the company is in or is to be in, and the kind of company it is to be. Porter et al., (2004) views strategy as the creation of a unique and valuable position involving a different set of activities. Strategy is a means of solving strategic problems, which are a mismatch between the internal characteristics of an organization and the external environment, to exploit opportunities existing in the external environment (Raps, 2004).

A review of the literature by Noble (1999) reveals that, as with 'strategy', there is no universally accepted meaning of 'implementation'. In addition, most of the definitions on strategy implementation are rather general in nature (Miller, 1979). Most allude to a process by which the formulated strategy is to be implemented. The most common view on strategy implementation is that it is 'a relatively straightforward operationalization of a clearly articulated strategic plan' as argued by Noble (1999). How this operationalization is to be done, or how this process can be characterized remains largely unspecified. Only a few definitions (Hrebiniak, 2005; Wheelen & Hunger, 2006) refer to concrete activities and systems such as organization structures, personnel actions, control systems, Programs, budgets, procedures, and job requirements. In this study, we define strategy implementation as 'the sum total of the activities and choices required for the execution of a strategic plan' (Wheelen & Hunger, 2006). The question of how strategic planning contributes to performance has spawned many studies but no vigorous and consistent findings. The contribution of this area of research has been limited by the inconsistency of its measurement schemes, and priori assumptions of strategic planning dimensions and factors. For example, Greenley (1986) conducted an empirical study that has focused on the relationship of strategic planning to overall firm's performance in manufacturing companies. Five out of nine studies reviewed claimed a positive relationship and four did not.

The first step to develop and implement strategic initiatives is their selective initiation based on the environment, since the potential for future competitive advantage depends on a company's ability to imagine markets and opportunities before competitors (Hamel & Prahalad, 1994) Furthermore, the generation of new ideas, it has been argued depends on individuals who routinely and repeatedly interact, share, and form similar information and parallel beliefs (Kotler, Keller & Burton, 2009). There are key individuals, who may or may not be readily apparent, who extend their relationships beyond their own cluster to seek novel information, new ideas, and new opportunities (Freeman & Hannan, 1984; Kotler, Keller & Burton, 2009). Therefore, those individuals, mainly 'managers' but including others, will gain insights into strategic issues and opportunities not apparent to others in similar positions.

The strategy framework developed by Kaplan, Norton and Barrows (2011) provides organizations with key questions which should guide an evaluation of the developed strategies and the corrections that need to be taken.

Strategy implementation is where the rubber meets the road. The strategy implementation literature suggests two overall reasons why a plan or strategy can fail: the strategy itself is inadequate or it is not properly implemented (Kaplan, Norton & Barrows, 2011). Strategy evaluation and control ensures that the goals, objectives are in tandem with the desired direction of the organization, mission and vision. Bossidy and Charan (2002) states that strategy implementation is the great-unaddressed issue in the business world today yet it has an overall influence on the performance of firms (Aosa, 1992). Its absence is the single biggest obstruction to success and cause of most of the disappointments that are mistakenly attributed to other causes. Organizations fail not at the point of developing strategies but over at the point of implementation the strategic plans which they spend long hours, their meager resources in the form of human effort, financial resources and technical effort, to develop.

External Environment And Strategy Implementation

Organizations operate within an environment and external factors have a significant influence on the firms choice of direction, actions and ultimately its organizational structure and internal proceses. These are factors in the industry environment, remote environment and operating environment and together the three factors form a basis for threats and opportunities in the competitive environment, (Pearce II & Robinson, 2011). A study my Muli (2008) on the challenges of strategy implementation in public corporations: a case study of Telkom Kenya Limited, found out that there were challenges facing Telkom Kenya particularly from the external competitive operating environment. The study also found out that challenges from the industry forces such as powerful buyers, powerful suppliers and stiff rivalry from competitors impacted strategy implementation. Other challenges were industry vulnerability to susbstitute products, chnages in the magnitude of the barriers to entry, concentration of suppliers, the industry’s average percentage utilisation of production capacity.

Ochanda (2010), in a study on challenges of strategy implementation at the kenya Industrial estates limited found out that the challenges experienced by the organization were enahnced by both restrictive regulations and policies under which state corporations operate. State corporations operate in a complex environment which is very unpredictable and less stable. The state corporation operate in an environment that is guided by government policies, regulations and standards and do not operate strictly and as freely the private sector. This makes it difficult for KIE not to operate competitively and focus on profiitability. The same applies to the sugar companies in Kenya, which this study will consider as a unit of analysis. Bedford &Harrison (2015) in their study of leveraging environmental scanning to identify knowledge management activities in the transportation industry demonstrated that there’s value using business and competitive intelligence methodologies to promote and better position the field. They suggest that environmental scans should focus-atleast initially- the eonomic factors.

An empirical study by Aldehayyat (2015) carried out a study on the external environmental in the business organization, among the Jordian firms, a Middle Eastern context. The purpose of the study was to analyse to analyse environmental scanning and information sources as well the relatioship between the environmental scannig and the performance of business organizations. The study found out that there’s positive relationship between small firms and large and organization performance and points to the value of environmental scanning to organization performance (Karami, 2012; Adeoye & Elegunde, 2012). A study by Babatunde & Adebisi (2012) on the strategic environmental scanning and organizational performance in a competitive business environment in Nestle Nigeria revealed that there’s a significant relationship between strategic environmental scanning and organizational performance. The study used structured questionnaires and data analysed using regress and coefficient analysis methods. His study recommends that organizations should continuously use strategic environmental scanning and pay close attention to threats by avoiding them and taking advantage of the opportunities.

Schmid (2005) investigated the roles of initiative leaders in initiative performance where focused changes were planned. The most successful managers directed their business model towards specific changes and products with few generic components. These managers also achieved a balance between integration (in a project matrix) or isolation (spin-offs) of resources, in a loosely coupled arrangement that did not stymie creativity and commitment to the initiative. This success in strategic initiatives thus required a formidable management culture to evenly balance resources in the business environment.

Coste (2014), in an empirical study of external environment scanning practices in sustainable supply chain context using 45 semi-structured interviews with key informants combined with discussion of the main results with the focus group of supply chain experts, established that both the breadth and depth of environmental scanning practices matters. The study makes observation about boundaries of the environmental scanning process therefore providing managers with concrete guidance about what to scan in a supply chain. Sugar millers have both inbound and out bound logistics and hence these recommendations applicable. Changes in the organizational structure are often needed during the implementation. Leadership often plays a critical role in determining implementation performance and in particular the role of having a powerful champion is considered important. An empirical study by Karami (2012), investigating the environmental scanning and growth strategy in high-tech small and medium sized enterprises where the study looked at this relationship in British Electronic manufacturing industry. The study did a survey of 132 CEOs views on external environmental and strategy in SMEs concluded that there is a significant relationship between increasing external environmental of the firm and the success of small and medium sized manufacturing firms in the electronics industry. Due to the nature and dynamics of the electronics industry obtaining information on environmental factors facilitates alignment between business strategy and its environment (Karami, 2012).

METHODOLOGY

This study adopted a descriptive research design. The study targeted various senior staff in all levels of management and this will form the target population. Data was collected from a sample size of 122 by use of interview guide. Stratified and simple random sampling techniques were used to determine the sample size.

RESULTS AND DISCUSSION

Response Rate

The sample of the study consisted of 3 sugar companies while the target population was 122 top, middle and lower level managers. Due to the busy schedules of the managers, they filled out questionnaires at their own convenience and once they were filled, the questionnaires were collected by the researcher. A total of 111 responses were received, translating into 90.98% response rate. This response rate was considered appropriate for data analysis and presemtation.

Gender Distribution

The study sought to find the gender of the respondents. Table 1 indicates the ditribution of the respondents by gender. Majority (64.9%) of the respondents were male while the rest (35.1%) of the respondents were female. The distribution represents a fair gender balancing, an indication of successful efforts of various gender mainstreaming campaigns by various stakeholders.

Table 1: Distribution of Respondents by Gender

Gender	Percentage
Male	64.9
Female	35.1
Total	**100**

Job Position of Respondents

The unit of observation for this study was the top, middle and lower level managers in the sugar companies in Kenya as indicated in the methodology, this question sought to establish the job position of the respondents in the organization. Majority (55.9%) of the respondents were middle managers while lower level managers was 35.1% and top management was 9.0%. Table 2 gives a summary of the postion of the respondents. This was a very important profile distribution for this study since the respondents were the right people with adequate information relevant to this study hence best placed. Managers take responsibility for strategy execution, Bossidy (1992) and Mauborgne (2015). The distribution of the respondents is quite normal and fair representation of management.

Table 2: Job Position of Respondents

Position	Number	Percentage
Top management	10	9.0
Middle management	62	55.9
Lower management	39	35.1

Level of Education of Respondents

The respondent's level of education was sought and majority (41.3%) of the respondents indicated that they have at least a bachelor's degree level of education while sizeable (26.1%) possess a higher degree at postgraduate level (Table 3). However, 8.1% of the respondents had a certificate level of education and 24.3% had Diploma level of education. This is highly expected since the respondents are at different management level (top, middle and lower) where the skills, knowledge and competencies is supposed to be high. This indicates that the respondents were well educated and informed and therefore furnished this study with better information which added value.

Table 3:Level of Education of Respondents

Education Level	Number	Percentage
Certificate	9	8.1
Diploma	27	24.3
Bachelor's degree	46	41.3
Post graduate	29	26.1
Total	**111**	**100**

Working Experience of Respondents

This question sought to investigate the number of years each respondent had worked in the company. On average nearly half (49.5%) of the respondents had worked for more than 10 years with their companies. This shows a high degree of institutional memory and commitment to their companies. Majority (27.9%) of the respondents had a working experience of more than 20 years, between 16 to 20 years, 10.8%, between 11 to 15 years, 10.8%, between 6 to 10 years, 23.4%, between 3 to 5 years 19.8% while 7.2% had less than 2 years of experience as shown in Table 4. This means that the respondents had adequate working experience with the companies and therefore they possess the necessary knowledge and information which was considered useful for this study. Table 4.5 indicates the years of work experience.

Table 4: Working Experience of Respondents

Experience in years	Percentage
Less than 2 years	7.2
3 to 5 years	19.8
6 to 10 years	23.4
11 to 15 years	10.8
16 to 20 years	10.8
Over 20 years	27.9
Total	**100**

Age of Respondents

The study sought to find out the age of the respondents.

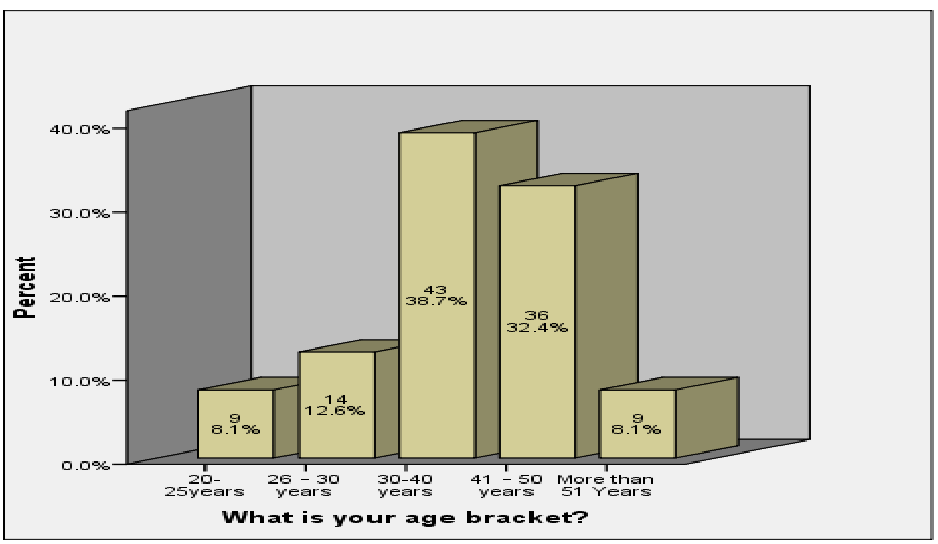

Figure 1: Age of Respondents

Majority (38.7%) of the respondents (Figure 1) are between the age brackets of 30-40 years, while 32.4% are between 41 to 50 years, while only 8.1% are aged more than 51 years old. The young generation is also represented with 8.1% of the respondents aged between 20 to 25 years and 12.6% aged between 26 to 30 years. This represents a good distribution that adds value to the study.

Strategic Planning

The respondents were asked whether their company develops strategic plans, as business units, operational units or corporate strategy. Table 5 indicates that 95.49% of the respondents confirmed that strategic planning is carried out and only 4.51% indicated that they do not carry out strategic planning. This implies that generally most managers are aware of the practice of strategic planning and perhaps the challenge is translating the crafted strategies to action.

Table 5: Development of planning and implementation Strategies

Category	Frequency	Percent
Yes	106	95.49%
No	5	4.51%

Based on Table 5, since sugar companies craft strategic plans, it may therefore imply that perhaps the main constraint is execution of these strategies.

Descriptive Statistical Analysis

Descriptive statistics were used to describe basic features of the data in the study since they provide simple summaries of the sample and the measures. Descriptive statistics such as frequencies and percentages were used to analyze the data on the challenges of strategy implementation in sugar companies in Kenya. The study had four independent variables, namely; external environment, organizational structure, organizational culture and managerial skills moderating by quality of workforce development, while the dependent variable was strategy implementation. The findings for each of the variables will be presented.

Descriptive Analysis For Effect Of External Environment On Strategy Implementation

External environment is the first independent variable in this study. The study sought to investigate whether factors such as macro environment, political interferences, the competition within the industry such as from cheap sugar imports, regional trade tariffs among others. Specific questions were asked in each of these areas and opinions of the respondents were sought. Table 6 provides the opinions and responses on the questions of external environment.

Table 6: Descriptives on External Environment

Variable indicators	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
Utilize environmental scanning during planning process	9.0%	12.6%	18.0%	41.4%	18.9%
Formal process for external environmental scanning	2.7%	18.9%	19.8%	46.8%	11.7%
Competitors as important market players and sources of information	8.1%	14.4%	5.4%	52.3%	19.8%
Competitors as a great threat	3.6%	27.9%	6.3%	37.8%	24.3%
Actions of competitors made us change our strategy in the last 5 years	4.5%	14.4%	16.2%	40.5%	24.3%
Political interference in the sugar sector makes us adjust our strategies	5.4%	9.0%	4.5%	52.3%	28.8%
Industry changes influence how we implement our strategic initiatives	2.7%	9.0%	13.5%	49.5%	25.2%
Cost of doing business in Kenya always forces us to adjust our costs	2.7%	3.6%	8.1%	53.2%	32.4%
Devolving agriculture has influenced our strategy implementation	.0%	5.4%	21.6%	49.5%	23.4%

Bargaining of our suppliers (farmers) influenced our strategic initiatives	.0%	8.1%	17.1%	55.0%	19.8%
Cheap sugar into Kenyan influenced our change of strategy implementation	.9%	5.4%	10.8%	46.8%	36.0%
Demand for sugar is rising and cannot be met by domestic production	5.4%	9.0%	8.1%	43.2%	34.2%
Rate of change of sugar industry in Kenya for the last years is very fast	13.5%	4.5%	10.8%	49.5%	21.6%
We adopted new technologies in operations as new strategy initiative	11.7%	2.7%	9.9%	54.1%	21.6%
Increasing use of other sugar influencing our strategic initiatives	8.1%	10.8%	22.5%	42.3%	16.2%
Economic have significant influence on our strategy implementation	11.7%	2.7%	22.5%	41.4%	21.6%
Corruption and demand for bribes has influence on our strategic initiatives	9.0%	15.3%	33.3%	22.5%	19.8%
Unregulated sugar imports has forced us to recast our strategy	6.3%	4.5%	22.5%	37.8%	28.8%

Macroeconomic Environment Scanning

The researcher sought to find out the opinion of the respondents on the usage of environmental scanning by the sugar companies. Majority at 60.3% of the respondents agreed that the company uses environmental scanning while only 21.6% disagreed with 18% remaining non committal on the usage of environmental scanning by the sugar companies. The study also sought to find out if economic factors such as inflation, economic growth rate had any significant influence on strategy implementation in the sugar companies. In response, majority 63% of the respondents agreed that these factors had influence on their strategy implementation while only 14.4% disagreed and 22.5% were noncommittal. These findings are corroborated by Downes (2001) who observes that external forces may be a challenge to the implementation of strategy in an organization and can also influence internal resistance to strategic planning and implementation. These findings imply that Sugar Companies in Kenya incur heavy costs while undertaking their operations and this could impact negatively on their earnings and profit

Competition in the Industry

This question sought to determine the opinion of the respondents regarding the competition in the sugar industry. Majority of 64.8% of the respondents agreed that competition thus exists while 31.5% disagreed and only 6.3% were neutral that there is neither competition nor none at all in the sugar industry. Similarly a question was asked that sought to find out if the action of competitors affected the strategy execution in the last five years. A similar trend was revealed where 64.8% agreed that the actions of the competitors in the industry created a need to change strategy by the respondents. Only a small number 18.9% disagreed that the action of their competitors made them change strategy in the last five years.

Another question was asked to find out if sugar (white or brown) is facing competition from other sweetening such as honey and stevia. The study revealed that 58.5% of the respondents agreed with the view that sugar as a product is currently facing competition from other sweeteners although it’s not very high. The finding is corroborated by other studies such as by Matepere (2011). Competition within the sugar industry has seen millers take each other to court. For example since 2014 and early 2016, two millers in Busia county have been locked up in court battles over the legal location of each other, the two sugar companies are very close to each, less than 40 km apart. However, the real issues are about competition for sugarcane from the farmers whom neither of the company has contracted. There is the question of cane poaching of cane by farmers. Africa Polysack and West Kenya have had their strategies derailed and incurred huge costs in equal measure and the case is yet to be finalized as at the time writing this thesis. This is business rivalry and competition and a challenge to strategy implementation (Potter (1992). The competition from other sweeteners could be attributed to people's changing lifestyle in view of increased knowledge on personal health and wellbeing.

"Everything changes and the nothing remains the still and you cannot step twice in the same stream", Heraclitus, Greek Philosopher.

Effects of unregulated sugar imports on strategy implementation

The study also asked a question to find out if un-regulated sugar imports were a challenge to strategy implementation in the sugar industry, coming from the macro-environment. The study revealed that majority (66.6%) agreed unregulated sugar imports was a challenge to strategy implementation, 22.5% remained neutral, 4.5% disagreed and 6.3% strongly disagreeing. In addition sought to determine if the entry of cheap sugar into the Kenyan market was a challenge to strategy implementation and it was revealed that an over whelming 82.8% of the respondents agreed with this opinion while a paltry 6.3% disagreed and 10.8% remaining neutral.

Despite the unregulated sugar imports, the study also sought to find out if the demand for sugar is increasing or declining. The study found out that 77% (sum of 43.2% and 34.2%) of the respondents indicated that the demand for sugar in on an upward trend. Only 14.4% (sum of 5.4% and 9.0%) disagreed with this view. This finding is consistent with the Ministry of Agriculture, AFFA (RoK, 2014) that Kenya has an annual sugar deficit of close 200,000 MT per annum. This deficit is met by Kenya allowing for sugar importation through the Ministry of Agriculture, AFFA, Sugar Directorate. This implies that Kenya is a net importer of sugar from the COMESA countries since the demand out strips the local production at the local production levels. However, from this study sugar imports affects strategy implementation and sugar companies should be conscious of this fact to avoid market glut.

Effects of Policies on Strategy Implementation

The question sought to find out the opinion of the respondents on government policies and legislation on strategy implementation. In particular the devolution of Agriculture functions from \the national government to the county governments as provided for in the Fourth Schedule, Constitution of Kenya, 2010, the Fourth Schedule was done August 2013. Most of the functions that were previously performed by the central government were devolved to the 47 Counties aside from Policy formulation and Research, (CoK, 2010). 23.4% of the respondents strongly agreed that devolution of agriculture has influenced strategy implementation while 49.5% agreed with a mean 4. None (0%) of the respondents strongly disagreed while only 5.4% disagreed with this opinion with a small percentage (21.6%) being neutral.

The result support the findings by (Salamon, 2002), that tools of the government can directly or indirectly influence the performance of organizations. The result confirm that strategyy implementation in sugar companies is affected by government actions an indicator that government policy may pose a challenge to strategy implementation

According to Keraro, (2014) devolution has shaped the way strategies are carried out by both the 47 Counties and the National Government. The aim of devolution was to make services closer to the people of the Republic of Kenya and hence improve service delivery (CoK, 2010). This finding corroborates Chiuri (2015) in the study of challenges of strategy implementation in Higher Educational Institutions in Kenya. Therefore it's apparent that devolution of agriculture has affected the way strategy implementation takes place in the agricultural sector and it implies that sugar companies just like other agricultural sectors should align their strategies to devolved units. The Sugar Companies fall under the guidance of Sugar Directorate of the Agriculture Fisheries and Food Authority of the Ministry of Agriculture.

Effect of Political Interferences on Strategy Implementation

The question on political interference is closely linked to the one on legislation and policies and it sought to find out the respondents opinion on political interference and strategy implementation. A very high percentage (81.1%) agreed that there was political interference in the strategy implementation in the sugar companies with only a small percentage 14.4% disagreeing with this view. According to Salamon (2002), the tools of the government such as policies and regulations can directly and indirectly influence the performance of organizations. The results therefore confirm that sugar companies in Kenya are affected by political interference. In 2015, the Privatization Commission of Kenya was barred from going ahead to privatize five sugar millers due to political interests.

The County Governments want to have control and management of sugar Companies within their jurisdiction. In Kenya sugar is a commodity that directly affects the livelihoods of people in 11 counties and creates offers employment to more than 600,000 people, most of whom are voters. The government has more often given cash bail out to sugar companies to allow them meet their operations. Such cash bail outs are not sustainable in strategy implementation. The view is also corroborated by other studies such as Chiuri (2015) in her study of the challenges of Higher Educational Institutions. This finding implies that the sugar sector is a volatile industry and is affected by the political interferences, apart from the legislation regime of the country.

Effect of the Bargaining Power of Suppliers

The question sought to establish in the opinion of the respondents if the bargaining power of their suppliers and especially farmers influenced strategy implementation. It was clear that 84.8% (sum of 55.0% and 19.8%) were in agreement that their suppliers mostly farmers affected strategy implementation with only 8.1% in disagreement. Only 17.1% of the respondents were neutral. This finding agrees with the scholarly discourse by Potter (1990) that the bargaining power of suppliers affects the firm directly. Sugarcane farmers (some contracted and some are private growers) are the main suppliers of raw materials to the sugar companies for example Mumias sugar cane gets 50% of their cane from Bungoma County and more than 25% from Busia County in addition to the nucleus farms they manage. While this is good, it has in some cases caused inter-company conflicts as they compete for cane.

Technological Changes within the Operating Environment

The study asked a question to find out the opinion of the respondents regarding the level of technological changes within the Sugar companies operating environment. The results revealed that 70.1% (sum of 22.5% and 48.6%) of the respondents strongly agreed that there has been increase in technological innovations in the last five years. On the other hand only 14.4% (sum of 4.5% and 9.9%) of the respondents disagreed. Additionally, the study sought to find out whether the sugar companies recast their strategic initiatives as a result of changes in technologies in production and operations. The study found out that 75.7% (sum of 54.1% and 21.6%) of the respondents stated that their companies had to recast their strategies due to technological innovations. 14.4% (sum 11.7% and 2.7%) of the respondents disagreed and therefore that their companies are using outdated technology in production and operations. This implies that sugar companies need to consistently adjust to Technologies, Innovations, Management Practices (TIMPS) that enhance competitiveness.

Inferential Analysis

In this study the researcher performed inferential analysis to determine the actual implication of the data collected and to draw conclusions on the relationship of the specific variables under study. Regression analysis was done to establish the statistical significance of the relationship between the independent variables notably, external environment, organizational structure, organizatioanl culture, managerial skills on dependent variable which was strategy implementation. According to Marshall and Rossman (2006), regression analysis is a statistical process of estimating the relationship between variables. Regression analysis helps in generating equation that describes the statistics relationship between variables. The regression analysis results were presented using a scatter plot diagrams, regression model summary tables, Analysis of Variance (ANOVA) table and beta coefficients tables. Each of this is discussed in the following sections of this thesis.

The general objective of this study was to determine the challenges of strategy implementation in sugar companies in Kenya.

Correlation analysis for the effect of external environment on strategy implementation

The correlation matrix for the relations is indicated in Table 7. The findings indicate that the correlation coefficient between external environment and strategy implementation is 0.381 with a p-value of 0.000 for a 5% 2- tail test. Since the p-value is less than 0.05, this shows a positive and significant relationship between external environment and strategy implementation.

This finding is in concurrence with the finding by Musyoka (2011) in her study of the challenges facing strategy implementation in Jomo Kenyatta Foundation which indicated that operating environmental changes present a threat to strategy implementation. Similarly, this study is corroborated by Chiuri (2015) in her study of the challenges of strategy implementation in Higher Educational Institutional in Kenya which found a linear relationship between external enviornment and strategy implementation.

Table 7: Correlation model summary for the relationship between external environment and strategy implementation

	Coefficient Type	Strategy Implementation	External Environment
Strategy Implementation	Pearson Correlation	1	.381**
	Sig. (2-Tailed)		.000
	N	111	111
External Environment	Pearson Correlation	.381**	1
	Sig. (2-Tailed)	.000	
	N	111	111

Regression Analysis for the relationship between external environment and strategy implementation

Scatter plots in Figure 2 shows that the distribution of the scatter plots appears to fall along the a line and evenly distributed on either side. There is no skewness to either side which indicates that there is a constant variance. This implies that a straight line can vbe fitted, suggesting that there is a linear relationship between external environment and strategy implementation.

The relationship takes the form of the equation:

$Y=\beta_0+\beta_1 X_1 + \mathcal{E}$

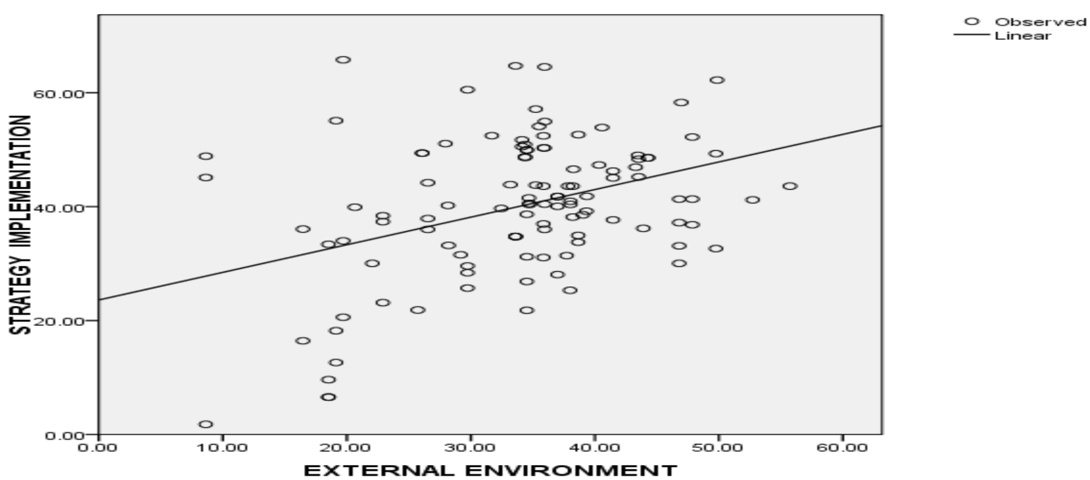

Figure 2: Strategy implementation versus external environment

Figure 2 illustrates scatter plot diagram of external environment versus strategy implementation. The Figure 2 presents results which show that all the points/observations appear in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positive upwards. It indicates that as the external environment improves, then strategy implementation gets better and vice versa, if the external environment is poor, then there shall be negative strategy implementation. This implies that there is a positive linear relationship between external environment and strategy implementation in the sugar companies in Kenya.

Table 8: ANOVA for external environment and strategy implementation

	Pearson Correlation	R Square	F	df1	df2	Constant	b1
Parameter Estimate	.381	.145	18.504	1	109	23.623	.485
Sig.	.000			.000		.000	.000

The Pearson correlation parameter estimate is 0.381 at the p-value of 0.000 indicated a positive relationship between the external environment and strategy implementation. On the other hand the R-Square parameter estimate of 0.145 with an F of 18.504 and a constant of 23.623 and the df1 indicate a linear model relationship between external environment and strategy implementation. That means that based on the R-Square (coefficient of determination), external environment is contributing 14.5% of strategy implementation in sugar companies in Kenya.
This also confirms that the linear model fits the data quite well.
The model estimate for external environment is represented as follows:
$Y=\beta_0+\beta_1 X_1 + \mathcal{E}$
Where,
β_0 = A constant, =23.623
$\beta 1$= 0.485
$X_{1=}$External environment,
$\mathcal{E}$ = Error term
Hence: $Y= 23.623+0.485(X_1) + \mathcal{E}$
Before we interpret the coefficients, we ask ourselves if the coefficients are significant from zero and the answer is yes, because each one of them has a p-value of 0.000. Therefore the coefficient of 0.485 means that a unit changes in external environment will lead a positive change in strategy implementation at the rate of 0.485.
This implies that you cannot ignore external environment when executing strategy in the sugar sector in Kenya.

SUMMARY OF THE FINDINGS

With respect to external environment, factor analysis was done in order to reduce items to manageable and meaningful size, where all the 18 items met the threshold of 0.4 and above, with the lowest being 0.428 and the highest 0.833. Descriptive statistics were used to analyze this research objective and other subsequent analysis was done. 18.91% of the respondents rated external environment as a challenge to strategy implementation and in terms of specific factors of external environment, 63% agreed that macroeconomic factors of external environment had effect, 64.8% agreed that competition existed in the sugar industry and affected their strategy implementation, 66.6% agreed that unregulated sugar imports affected strategy execution, despite 77% agreeing that the demand for sugar is on an upward trajectory, legislation and especially the Constitution of Kenya, 2010 which devolved Agriculture to the counties was also revealed by 72.9% of the respondents. Political interferences also affected strategy as 81.1% agreed that it did affect their strategy execution.
The correlation analysis also indicated that there is a positive significant relationship between external environment and strategy implementation. The positive relationship was represented by 0.381 and the number of respondents was 111. The results corroborates with the findings of Chiuri (2015), which found a linear relationship between strategy implementation and external environment in the strategy implementation in Higher Educational Institutions in Kenya. Regression analysis was done where the results indicated that external environment had a goodness of fit of 14.5% indicating that external environment explained 14.5% of the variation in the strategy implementation in sugar companies in Kenya. The results and findings therefore conclude that there was significant association between external environment and strategy implementation in sugar companies in Kenya.

RECOMMENDATIONS

External environment poses a great challenge to strategy implementation in selected sugar companies in Kenya. Competition within the industry, legal and political changes, the trade tariffs such as from COMESA, the bargaining of the suppliers and in particular the farmers who supply sugar cane to the sugar companies, all have influence on the strategy implementation in sugar companies in Kenya and the study recommend that managers need to be cognizant of the dynamics in the environment and continuously scan and monitor events that could negatively impact on strategy institutionalization.

Since unregulated sugar imports was another external factor affecting strategy implementation by 77% of the respondents, and the study recommends that Government through the Ministry of Agriculture, should regulate such imports as it meets the annual deficit of 200,000MT. The demand for sugar was found by the study to be going up and the study recommend sugar factories to utilize their crushing capacity to optimum which will lead to increased sugar quantities.

The study also recommends that Sugar companies need to consistently adjust their Technologies, Innovations, Management Practices (TIMPS) that enhance competitiveness. Innovations should not just be "innoflation" but geared to increase efficiency and effectiveness. The Constitution of Kenya 2010, The 4th Schedule, devolved Agriculture function to the 47 County Governments of Kenya, and based on the study, strategy implementation in sugar companies need to be cognizant of the dynamics of agriculture implementation at the county level. The study recommends that sugar companies need to work closely with the Ministry of Agriculture of the respective County Government. Similarly, the Privatization Commission of Kenya, should work closely with respective County Governments to avoid conflicts when carrying out privatization of sugar mills.

AREAS FOR FURTHER RESEARCH

This study has made significant contribution as it highlights a few aspects to be considered by future researchers. Firstly, the propositions put forward in this study emphasize the importance of regular external environmental monitoring and scanning, aligning structure to strategy, and developing a culture that supports strategy implementation as well as equipping employees with skills based on the needs of or that fit the strategic change. The study focused on sugar companies in Kenya, registered by the Ministry of Agriculture, the Sugar Directorate under AFFA. This means that if the four challenges of strategy implementation are addressed, the sugar companies may experience profitability, high capacity utilization, reduced government cash bail outs, increased farmer satisfaction and reduced reliance on sugar imports. Subsequent studies should consider replicating this study to other agro-based companies in Kenya in order to establish the challenges of strategy implementation in view of the on-going external environmental dynamics such as climate change, globalization, and changes in the operating industry. Secondly, future research may attempt to replicate the study in different economies to confirm the effect of organization culture, organizational structure, managerial skills and quality of workforce development in strategy implementation in sugar companies.

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