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GOVERNANCE AND STRATEGIC MANAGEMENT in the devolved public sector in Kenya

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To many Kenyans, devolution, the newly adopted form of governance system in Kenya presents an opportunity to address the diversity of local needs, choices and constraints. It carries the promise of a more equitable system of sustainable economic development for the nation. Forty seven (47) new counties were established by the new constitution through which governance will be executed in the country. The degree of preparedness of the new counties to be strategically managed to guarantee self sustainability is, however, a subject of much concern for Kenyans who argue that poor preparation might frustrate their dreams of improved livelihoods. This study sought to establish the role of governance systems in the formulation and execution of strategy in the strategic management of counties in Kenya. Scholars, researchers, students of management, national and county policy developers are expected to be among the key beneficiaries of the results of the proposed study. The study adopted exploratory and descriptive research design, which required in depth analysis on the role of governance systems in the strategic management of counties in Kenya. The population of the study was the forty-seven (47) counties in Kenya. Cluster and purposive sampling techniques were employed in the study. Questionnaire instruments were used in the collection of data. Qualitative and quantitative data collected from this study was analysed using the Statistical Package for the Social Sciences (SPSS). A major result of the study was that the strategic direction of the devolved public sector is the role of the governance systems. It was recognised that the strategic management practice in the public sector is starting to bear fruit and this trend is set to help managers run public sector institutions more effectively. Institutions that engage in formal strategic planning processes have a higher probability of success than those that don’t. Strategic management practise is one sure way to systematize the most important business decisions; it helps educate managers to become better decision makers; it helps managers to examine the basic problems of the institution and finally it helps improve corporate communication, coordination of individual projects, the allocation of resources, and short-range planning such as budgeting. The beauty of a county having a corporate strategy is that everyone in the county, the executives in the front office as well as people in the operating units, can knowingly work towards the same strategic objective without being rigid about how they do so.

Key words: Strategy, governance, sustainability, strategic planning, public sector, county, subsidiarity, systems and devolution and outsourcing.

INTRODUCTION

Background
In the early 1990s, good governance became a common vocabulary in the development discourse across the developing world which promised to bring about fundamental changes in the political, administrative and economic structures of the developing world (UNDP, 1997a). Under the good governance agenda, the vital role of the state is to create a political environment that is...
conducive to development by redefining the role of government in the economy; creating political commitment to economic, political and social restructuring; decentralizing and democratizing government; and strengthening the financial and administrative capacities of local government (UNDP, 1997b).

UNIDO (2010) looks at governance systems as processes and interactions by which an organization engages and consults with its stakeholders and accounts for its achievements. Governance characterizes how things are decided and realized within an organization, be it a government or a private institution. Governance is, thus, a relevant strategic matter for devolved counties as it determines how they are directed, administered or controlled. Devolution, as an advancement of the good governance theory is a form of decentralization that has been successfully practised by many countries across the world (World Bank, 2012). It has been adopted in a number of countries as a guarantee against discrentional use of power and resources by central government elites as well as a way to enhance the efficiency of social service provision, by allowing for a closer match between governance of public institutions and the desires and needs of local people. Countries that have successfully implemented devolved governance systems in the western world include Britain, Germany, United States of America, Canada and Australia. In Africa, good examples of countries where devolution has been successfully practised over the years include South Africa, Nigeria and Ethiopia. When well managed, devolved governance systems result into several benefits to the citizenry of a country as demonstrated in the succeeding sections of this paper.

In establishing whether there is a positive relationship between devolution and good governance, Hueglin (2010) argues that this should be viewed from four specific angles, namely; transparency, accountability, responsiveness and human rights. Hueglin presents the idea that devolution would strengthen these goals and values but does not guarantee good governance in itself. Kulshreshtha (2008) observes that good governance systems are epitomized by predictable, open, and enlightened policy making; a bureaucracy imbued with professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs and all operating under the rule of law. Devolution is associated with greater participation in key decisions by members of society; a greater sense of shared vision and mission; an improved societal confidence and support based on greater knowledge and involvement (World Bank, 2011 and 2012). A greater organizational autonomy is linked to an increased sense of ownership, commitment, empowerment, initiative, professionalism, motivation and morale. Devolution can only set the scene but it is the performance of the key actors which determines the results.

Fenton (1996) observes that there are many recent literature records that place claims of positive outcomes of devolution. Some of these claims are tentative, modest and at times based on findings of research while others are sweeping and largely unsubstantiated. Fenton further observes that with the quality of management, greater organizational autonomy leads to more effective and efficient management, the alignment of responsibility, authority and accountability, and a greater concern for people. Examining devolution from the angle of structures and processes, Fenton (1996) concludes that organizational self-management transforms the patterns of authority positively and improves the process of communication, planning, decision making, problem solving, resource allocation, staff relationships, supervision, evaluation, feedback and system wide accountability.

Barcan (1992) supports these arguments by saying that despite all the positive claims about devolution, it is worth recognising that in itself, devolution does not and cannot guarantee increased effectiveness and efficiency, better planning, decision making, resource allocation, evaluation or accountability. He observes that devolution is a form of governance system that is merely a management devise that moves the discretion, authority, responsibility and accountability for some decisions from the central arm to an individual unit of government (subsidiarity). Transfer of power provides the opportunity for quality of organizational decision making and action to benefit from knowledge of local wishes, needs, resources and opportunities. Finn (1986) adds that the positive or negative consequences of devolution depend more on a range of other associated factors than on the fact of devolution itself, that is, the political and industrial climate in which devolution takes place, the change processes proposed, the readiness of the leadership, professional development availability, the nature and level of ongoing system support and the organizational climate.

According to Sarkar (2003), devolution, as a form of governance could be seen as a means; through which governments are able to provide high quality services that citizen’s value; for increasing managerial autonomy, particularly by reducing central administrative controls; for creating receptiveness to competition and open-mindedness. This is aimed at encouraging other actors such as the private sector and civil society organizations to participate in providing goods and services; and for empowering citizens through their enhanced participation in decision making, development planning and management (Hope and Chikulo, 2000). In recent years, devolution has received much attention from those concerned with third world development. Among academicians, it has become the latest fashion in development administration (Esman and Uphoff, 1988).
Perhaps, it would be difficult to find any developing state without experience of devolution in one form or another. Devolution is and should be associated with principles of local self-reliance, participation and accountability, adaptation of programs to local environments; improved communication; resource mobilization; utilization of local expertise; better utilization and maintenance of facilities and services; and cooperation.

While Turner and Hulme (1997) uphold the positive attributes of devolution as demonstrated by other scholars, they observe that the flipside of devolution is that it may lead to disunity among the small administration units, promote ethnicity, and enhance corruption, lead to excessive taxation and rise in nepotism. Therefore, in order to optimise on the many benefits of devolution as a form of governance discussed in the preceding sections of this thesis and to avoid its noted pitfalls, one may conclude that institutionalizing effective governance systems in all the Kenyan counties is imperative. Only then shall the newly established counties be strategically managed towards competitive sustainability.

The problem
The Kenyan people have over time witnessed dismal performances by successive governments due to weak governance systems across several institutions, poor strategic focus, weak and non-performing public institutions, poor accountability and massive blundering of public resources through corruption and weak legal enforcement mechanisms. Most of the new counties are poor and may lack effective governance systems that could enable them to be managed strategically and independently. Some parts of the country have historically been neglected in terms of allocation of national resources and thus have experienced slow economic growth; a good case in point is the North Eastern Province of Kenya. As a consequence, those regions suffer from weak governance systems, ineffective and inefficient management structures, poor financial bases, weak and underdeveloped economies. Article 203(2) of the new Kenyan constitution stipulates that counties will get not less than 15% of total national revenue, which in practical terms means that on average, each county may not get more than Kenya Shillings Five (5) billion annually. This national allocation is supplementary, with the counties expected to create the bulk of the wealth to sustain them. For most counties, therefore, attaining a strategically managed status for competitive sustainability will depend on the quality of governance systems and strategic management approaches that will be employed by the individual county governments. As already noted, devolution is a new phenomenon in Kenya. The level of preparedness of the Kenyan counties to face up with the identified challenges and potential complexities to ensure that they are managed strategically is a major concern for many Kenyans. Questions on the adequacy of county governance capacity and strategic management preparedness to tackle these challenges need to be answered. Further, there is limited knowledge available on any local research conducted in this thematic area that would provide empirical guidance on governance systems critical for the strategic management of counties. This study, therefore, sought to offer guidance and solutions to these challenges and the potential complexities.

Literature Review
Traditionally, the art of strategic management has been the exclusive preserve of the private sector (Green, 1998) but in the last decade and a half, this has evolved to encompass all areas of organizational life, including the public sector. Green argues that at the instigation of governments, public sectors world over, have been introducing strategic management initiatives as the capstone to public sector reform and deregulation. Strategic management in public sector does mark a departure from prior forms of planning and is heralded as a critical element in the modernist transformation of society’s oldest and most established institutions (Stewart, 2004). Institutionalizing strategic management practices in the public sector, therefore, makes the sector more responsive to the needs and preferences of their users (Mintzberg, 1994). Pearce II and Robinson (2011) identify five (5) benefits of strategic management in Institutions:

i) Enhances the firm’s ability to prevent problems by aiding Managements’ and encourages subordinates’ attention to planning,

ii) Group-based strategic decisions are likely to be drawn from the best available alternatives,

iii) The involvement of employees in strategy formulation improves their understanding of the productivity-reward relationship in every strategic plan and thus, heightens their motivation,

iv) Gaps and overlaps in activities among individuals and groups are reduced as participation in strategy formulation clarifies differences in roles, and

v) Resistance to change is reduced through the already created greater awareness about limited options available.

The biggest challenge, though, of institutionalizing strategic management in the public sector is to help the various departments, such as the devolved governments to redefine and redevelop competencies which, because of public ownership, confer an advantage either in terms of efficiency or effectiveness over the private sector. It is in this contention that Hamel and Prahalad (1994) and Mintzberg (1994) argue that the formalization of explicit objectives, outputs and targets and the monitoring, auditing and measuring of them is considered critically.
Figure 1: McKinsey’s 7Ss Model (Johnson et al., 2011)

important. Steiss (1985) and Vinzant and Vinzant (1996) view strategic management as the broader process of managing an organization in a strategic manner. Strategic management is intended to enhance “the entire set of managerial decisions and actions that determine the long-run performance of an organization (Koteen, 1989).

The extent to which a public agency operates through a decentralized program structure or service delivery system or the extent to which it is a relatively self-contained agency versus one that operates in a highly networked governance structure is likely to influence its approach to strategic planning and management (Poister, Pitts and Edwards, 2010). Strategic management approaches in the public sector are imperative as governments enter the new millennium (McInerney and Barrows, 2000). A new approach, which incorporates modern strategic management tools, is necessary for the public sector to achieve improved performance and sustainable economic advantage. McInerney and Barrows (2000) emphasize on the importance of change management as a key enabler for innovation when discussing matters of strategic management. They contend that change management recognizes that a “multiplicity of factors influence an organization’s ability to change”. In this regard, definitive strategy and structure are not enough when considering the implementation of a customer-focused approach. Figure 1 identifies the 7-S model as a strong agent that could facilitate successful change management. By aligning the seven factors, victories in strategic management are possible. Summary highlights within each area are provided as follows: Strategy – New strategy to focus on customers and service created common vision that is communicated; Structure – Strategic planning is bottom up and top down; Systems – increased flow of information, capital budgeting, quality control and performance standards; Staff – provide incentives and rewards, clear understanding, and reduced tension between management and employees; Style – Collaborative team building, balanced stakeholder interests, try to build trust and stress competition; Skills – knowledge, encourage innovation, staff training, IT support; Shared Values – Achieved consensus in valuing customers and social responsibility role.

Governance systems and strategic management
Since the early 1990s, most aid-donor and aid-recipient nations, besides international development organizations, have stressed the importance of various aspects of good governance in core functions of governments (AfDB, 2004). Examples of these are, accountability of public officials due to improved accounting and auditing standards, decentralized decision making, responsive management structures, participation of NGOs and civil society, and implementation of effective anti-corruption strategies (World Bank, 2000; Kulshreshtha, 2008). Figure 2 diagrammatically present attributes of good governance. The World Bank (2000) aver that governance is “the institutional capability of public organizations to provide the public and other goods demanded by a country’s
citizens or their representatives in an effective, transparent, impartial, and accountable manner. This implies that good governance and institutionalization of sound governance systems is a demonstration of “predictable, open and enlightened policy making, that is, transparent process; a bureaucracy imbued with professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law” (Kerandi, 2011). Good governance is a “sound development management” based on five interrelated pillars: accountability, transparency, combating corruption, participation and an enabling legal/judicial framework (AfDB, 2004).

Pick and Thein (2010) observe that governance is a key concept for interpreting and explaining changes in a society. Collier (2007) supports this observation and adds that there are big differences in the consequences of getting governance and economic policies right and getting them wrong; good governance and economic policies significantly improve growth but bad governance and policies destroy an economy. In explaining this, the new institutional economics approach has been advanced in which it is argued that an essential element of good governance and effective development policy is the establishing of institutions that are favourable to economic growth (Lepenies, 2008). Rose-Ackerman (2008) points out that without good polices and effective institutions, competitive sustainability will not succeed. Kerandi (2011) avers that governance systems can be broad and have different means and approaches towards its attainment. He contends that there is a general consensus that good governance is a major ingredient to economic development. Good governance, in the form of institutions that establish a predictable, impartial, and consistently enforced set of rules for investors, is crucial for the sustained per capita income growth of poor countries. It is for this reason that multilateral donors such as the World Bank and IMF have been actively involved in governance initiatives in most developing nations including those from the SSA region (Tisdell and Roy, 1998).

**Crafting vision, mission and value statements**

According to Kaplan et al. (2008), a vision is a concise statement that defines the mid to long term (three to ten year) goals of an organization. The vision should be external and market-oriented and should express how the organization wants to be perceived by the world. Example “We will be among the top three mobile banking companies in Africa by 2015.” Three critical components of a good vision statement are a quantified success
indicator; for example, “being in the top quartile” in the industry, a definition of niche. Kaplan et al. (2008) further argue that a mission on the other hand is a brief, typically one-sentence, statement that defines the fundamental purpose of the organization. It includes what the organization provides to its clients and informs executives and employees about the overall goal they have come together to pursue. The core values of a company prescribe its desired behaviour, character, and culture. Bordum (2010) extends the discussion by stating that the vision and mission conceptually integrates the strategies, tactics, and operations guiding the actions taken, by creating consistency, meaning, and direction. Vision and mission get their validity from the fact that they may depict a formerly not conceptualized desirable state or future position. Karnani (2006) stresses the view that strategy consists of a set of integrated choices; the domain in which the firm will compete, the sources of its competitive advantage, the value proposition it offers to its customers, and the organizational design required to execute its strategy.

**Setting strategic goals and objectives**
Kaplan et al. (2008) and Karnani (2006) and also argue that quantifying the vision makes it possible to integrate target setting with the exploration of visible strategies. The vision’s quantified success factor becomes the reference point for judging the feasibility of strategies. The success factor defines the desired outcome from successful strategy execution (for example, “achieve top-quartile profitability” rank among the top 10 universities in Kenya). With a stretch target embedded in the vision, the executive team defined a value gap, the difference between the desired outcome and what could be achieved by maintaining the status quo with the existing strategy. The value gap represents the difference between aspiration and reality; it becomes the goal for the new strategy to fulfill.

**Formulating and executing**
Strategy formulation and execution, therefore, is an analytical, data-driven process that rigorously identifies customer needs, differentiates the company from rivals, and maximizes profits (Govindarajan and Trimble, 2012). Cocks (2010) argue that strategy formulation is a governance matter that is usually regarded as the exclusive domain of senior management because it rewards creativity (the most admired and valued of all intellectual pursuits). Effective strategy execution rarely gets as much attention as formulation yet experienced managers appreciate that well crafted visions and strategic plans are useless if they cannot be effectively executed. Tsiakkikos (2002) observes that changing trends within the business environment affect the performance of organizations and, therefore, have a bearing on how strategies are formulated and executed by organizations. Craig (2011) supports these views and adds that to be successful; a business manager must find a fit between what the business environment dictates and what the firm provides. To find this fit, an organization must ensure that clear vision and mission statements are developed to guide the strategic process of the institution (Craig, 2011). Craig further argues that setting of smart objectives and goals would significantly enhance an institution’s strategic management process. These views by Craig (2011) are supported by Kaplan, Norton and Barrows (2008) who view strategy development process as a “black box” that produces a strategy to be implemented using strategy maps and balanced scorecards. They observe that while the actual selection of a strategy remains an art, it should be governed by a systematic process. It defines the organization’s purpose and goals and carefully examines the external and internal environment to identify opportunities and constraints regarding that strategy.

According to Stevens (2001), for an organization to be strategically managed, seven key elements are critical. Top in this list is strategy and the rest are structure, systems, staffing, skills, style, and shared values (figure 1). Stevens argues that managers are the architects of their organizations. Company managers should ask questions such as “what are the sources of sustainable competitive advantage (cost, quality, service and technical leadership)? And what are the key strategies priorities for the organization? When formulating strategy for their organizations. Koch (2000) argues that corporations should develop their strategy before deciding their structure, thus confirming the Alfred Chandler’s theory that structure follows strategy. Koch (2000) observes that organizational and functional strategies could help managers identify short and long-term remedies for organizations in financial crisis, show managers when an organization is at a turning point, and which way it should turn, provides a system for successfully integrating acquisitions and improving performance, strategy helps managers to define the different parts of their business units, where they need to do different things to succeeds, show in details where organizations make most profits and cash and why. It also indicates where institutions have to concentrate most effort and cash, show up any missing skills; develop an institution’s culture and competencies so that it can be more successful than competitors at meeting the needs of their customers and improve the performance of business units by close financial control based on a consistent methodology applied throughout the firm.

Johnson and Scholes (1999) support the idea that implementation of strategy by an organization will involve a strategic plan. The strategic planning process could be done at various distinct institutional levels namely; at corporate, business and operational or functional levels. Each of these levels would have clearly defined strategy
that very well interlinks with the other strategies. Ansoff (1988) extends this argument by saying that an analysis of strategy by an institution is necessary, as existing techniques of evaluating long-term projects (for example capital investment appraisal) are not always appropriate for many of the decisions an organization must take.

Jauch and Glueck, (1988) argue that firms should engage in strategy formulation or in strategic management because of the following reasons: a) Firms should not just react to change; they can pro-act and even make change happen. This is possible through strategic management as it allows a firm's top executives to anticipate change and provide direction and control for the institution, b) Effective strategic management points out the way for employees to follow. It provides a strong incentive for employees and management to achieve company objectives. It serves as the basis for management control and evaluation. It further ensures that top executives have a unified opinion on strategic issues and actions. Research in strategic management is advancing so that the process can help managers manage institutions more effectively, and businesses that engage in formal strategic planning has a higher probability of success than those that don't. This is true because strategic management: i) is one sure way to systematize the most important business decisions, ii) helps educate managers to become better decision makers. It helps managers to examine the basic problems of a company, iii) helps improve corporate communication, coordination of individual projects, the allocation of resources, and short-range planning such as budgeting. Jauch and Glueck (1988) conclude by saying that because of the development of the theory of strategy and strategic management, many businesses and institutions make sure that strategy is part of their management programmes and this has led to great success for most of those firms. Gadiesh and Gilbert (2001), in support of the above arguments add that every organization should indeed have a corporate strategy. The beauty of an organization having a corporate strategy is that everyone in the organization, the executives in the front office as well as people in the operating units, can knowingly work towards the same strategic objective without being rigid about how they do so. They conclude by arguing that a strategic principle can help provide continuity during periods of organizational turmoil.

Porter (2001) observes that by ignoring strategy, many organizations undermine the structure of their industries, hasten competitive convergence, and reduce the likelihood that they or anyone else will gain a competitive advantage. He concludes by listing six principles of an organization's strategic positioning as follows:

i) It must start with the right goal. Only by grounding strategy in sustained profitability will real economic value be generated,

ii) A an organization's strategy must enable it to deliver a value proposition, a set of benefits, different from those that competitors offer. Strategy in this case becomes a way of competing that delivers unique value in a particular set of uses or for a particular set of customers,

iii) Strategy needs to be reflected in a distinct value chain. An organization must configure the way it conducts its operations differently from rivals and tailored to its unique value proposition,

iv) Robust strategies involve trade-offs. An organization must abandon or forgo some product features, services, or activities in order to be unique at others. Such trade-offs, in the value chain, are what makes it truly distinctive;

v) Strategy defines how all the elements of what an organization does fit together. A strategy involves making choices throughout the value chain that are interdependent: all activities must be mutually reinforcing and

vi) Finally, strategy involves continuity of direction. An organization must define a distinctive value proposition that it will stand for, even if that means forgoing certain opportunities.

Pearce II and Robinson (2011) add that to these discussions by saying that each company follows a disciplined strategy, otherwise it would be paralyzed by chaos and that strategy is unique to each organization. Strategy consists of unique sets of strategically significant processes and the handful of simple rules that guide them. Strategy need not be complex.

Thompson and Martin (2010), aver that there are three different levels of organizational strategies. These are; Corporate Strategy - strategies that define the scope of the business in terms of the industries and markets in which the organization competes. It includes decisions about diversification, vertical integration, acquisitions, new ventures, divestments, allocation of scarce resources between business units, Business Strategy – strategies that are concerned with how the firm competes within a particular industry or market. To win, a business unit must adopt a strategy that establishes a competitive advantage over its rivals, and Functional Strategy – strategies that relate to the detailed deployment of resources at the operational level. Thompson and Martin (2010), Thompson et al. (2010), Pearce II and Robinson (2011) and Johnson et al. (2011) all observe that functional strategies are operational guidelines that dictate how the various parts of an organization operate. For example, functional strategies outline the hierarchy within the group, say, finance, the responsibilities of that group and how that group interacts with the rest of the organization. Johnson et al. (2011) argues that functional strategies offer benefits and limitations on the way in which an organization operates. To maintain productivity, the managerial staffs need to understand and work with those benefits and limitations.
Table 1: Frequency results for strategy formulation and execution

<table>
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<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total %</th>
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<td></td>
<td>f</td>
<td>%</td>
<td>f</td>
<td>%</td>
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<td>%</td>
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<td>11</td>
<td>7.7</td>
<td>17</td>
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<td>2.1</td>
<td>9</td>
<td>6.3</td>
<td>22</td>
<td>15.4</td>
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<tr>
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<td>4.2</td>
<td>19</td>
<td>13.3</td>
<td>34</td>
<td>23.8</td>
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<td>Set Objectives</td>
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<td>1.4</td>
<td>4</td>
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<td>Unique Values</td>
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<td>4.9</td>
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<td>20</td>
<td>14.0</td>
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<td>14</td>
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<td>42</td>
<td>29.4</td>
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</table>

Figure 3: Percentage responses on strategy formulation and execution

METHODOLOGY
This study adopted an exploratory and descriptive research designs which required in depth analysis on the role of governance systems in the strategic management of counties in Kenya.

RESULTS
This study sought to establish the role of governance systems in the formulation and execution of strategy for the strategic management of counties in Kenya. Table 1 and figure 3 present the frequency and percentage distribution off the findings and results on the independent variable, strategy formulation and execution. Based on the specific analyses on each of the eight statements, used to collect data on the variable, one may conclude that a majority of the respondents agreed that strategy formulation and execution is important for the strategic management of counties.

These findings concur with the arguments by Green (1998) who stated that strategic management, previously
seen as a preserve of the private sector, has in the last decade been embraced by the public sector as an important management tool that guides the strategic direction of the public sector. The findings also support the argument by Stewart (2004) that strategic management in public sector does mark a departure from prior forms of planning and is heralded as a critical element in the modernist transformation of society’s oldest and most established institutions. They also reinforce conclusions by Green (1998) that civil service, in all the countries studied had undergone fundamental change as a result of the introduction of strategic management planning (SMP). The findings further concur with the study of Ansoff (1988) who argued that an analysis of strategy by an institution is necessary, as existing techniques of evaluating long-term projects, such as capital investment appraisal, are not always appropriate for many of the decisions an organization must take.

The discussion below presents the findings and results of the specific investigation areas used to collect data in relation to strategy formulation and execution.

A strategic plan, a critical starting point
The findings revealed that a majority of the respondents strongly agreed with strategic planning for counties as a tool that would strategically guide operations at the counties. Figure 4.3 shows that over 79.1% (35.7% and 43.4%) strongly agreed and agreed to the statement that a strategic plan is a critical document that needed priority Development to guide county operations. 11.9% was undecided, 7.7% disagreed and 1.4% strongly disagreed. A mean response of 4.04 and a standard deviation of 0.956 (Table 4.6) is a clear indication that there is need for strategic plan to guide operations. The large majority of over 79.1% of the respondents that either agreed or strongly agreed with the statement support the observations made by Tsiakkiros (2002) that changing trends within the business environment affect the performance of organizations and, therefore, have a bearing on how strategies are formulated and executed by organizations. These findings are also in full agreement with the argument made by Koch (2000) that corporations should develop their strategy before deciding their structure. Stevens (2001) averred that for an organization to be strategically managed, seven key elements are critical, among them, strategy formulation and execution. The other six elements are, structure, systems, staffing, skills, style and shared values. These are also called the McKinsey’s seven Ss of management.

Vision statement
Table 1 and Figure 3 show that 29.4% of the respondents strongly agreed to this statement, 46.9% agreed, 15.4% were neutral while 6.3% and 2.1% disagreed and strongly disagreed respectively. A mean score of 3.95 was achieved with a standard deviation of 0.944. These results are in line with the studies by Kaplan et al. (2008) who advanced an argument that a vision is a statement that defines the mid to long term (three to ten year) goals of an organization. They further stated that a vision should be external and market-oriented and should express how the organization wants to be perceived by the world. The findings also agree with observations by Craig (2011), Porter (2001), Cocks (2010), Govindarajan and Trindle (2012) and Kaplan et al (2008) who argued that for an institution to be successful, it must ensure that a clear vision and mission statements are developed to guide the strategic process of the institution.

Mission statement
Figure 3 shows that 30.1% of the respondents strongly agreed to the need for having a mission statement which will act as a guiding tool for the realization of the county vision. 28.7% agreed, 13.3% disagreed and 4.2% strongly disagreed. 23.7% of the respondents were undecided. Interesting to note that mission statement has a mean of 3.67 which compares favourably with that of the vision statement at 3.95. The standard deviation associated with mission statement is 1.161. The over 58.8% respondents who agreed to the need for a mission statement confirmed the observations by Kaplan et al. (2008) who stated that a mission statement defines the fundamental purpose of an organization and includes what the organization provides to its clients. A mission statement informs executives and employees about the overall goal of the organization and that they have come together to pursue. The findings also are in agreement with contentions by Bordum (2010) that mission conceptually integrates the strategies, tactics, and operations guiding the actions taken, by creating consistency, meaning, and direction. Arguments, that are strongly supported by these findings, have also been made by Craig (2011), Porter (2001), Cocks (2010), Govindarajan and Trindle (2012) and Kaplan, Norton and Barrows (2008) whose literature has been reviewed in this thesis.

Objectives and goals
With a mean score of 4.08 and a standard deviation off 0.848, a majority of the respondents (over 80.5%) support the need to set objectives and goals which will act as guideline towards achieving vision and missions of their counties. Of the 80.5% that were in agreement, 32.9% strongly agreed, 47.6% agreed, 15.4% were neutral, while 2.8% disagreed and 1.4% strongly disagreed. The large majority of over 80.5% of the respondents that were in agreement strongly reinforce studies by Kaplan et al. (2008) and Karnani (2006) who argued goals and objects makes it possible to quantify the vision and mission. With a stretch target embedded in the vision, and mission, the executive team are able to
define a value gap, the difference between the desired outcome and what could be achieved by maintaining the status quo with the existing strategy. The value gap represents the difference between aspiration and reality; it becomes the goal for the new strategy to fulfil. The findings also support the literature reviewed by a number of authors cited in the literature review section, in particular those of Porter (2001) who observed that in the strategy development process, an organization must ensure that it starts with the right goals for enhanced performance.

**Unique values**

As shown in table 1, a total of 58.8% of the respondents agreed that unique values are required to guide the implementation of the vision, mission and objectives set for the county with 27.3% of that figure strongly agreed, 31.5% agreed, 22.4% were neutral, 14.0% disagreed and 4.9% strongly disagreed. The mean score for these findings was 3.62 and standard deviation of 1.168. Similar to the results recorded in the preceding statements, these findings confirm the views expressed by many authors whose work was reviewed and presented in the literature review section of this thesis. Porter (2001) observed that an organization's strategy must enable it to deliver a value proposition, a set of benefits, different from those that competitors offer. He argued that strategy, in this case becomes a way of competing that delivers unique value in a particular set of uses or for a particular set of customers.

**Borrowing from the private sector**

Table 1 show that a total of 54.6% of the respondents agreed to the statement that a county should adopt business-like strategies in order to enhance its performance, with 19.6% of those strongly in agreement and 35.0% in agreement. 28% were undecided while 17.5% did not either agree or strongly disagreed with the statement. A mean score of 3.5 and a standard deviation of 0.948. These findings also support arguments by Thompson and Martin (2010), Thompson et al. (2010), Pearce II and Robinson (2011) and Johnson et al. (2011) who all observe that functional strategies offer benefits and limitations on the way in which an organization operates. The results also agree with observations by Johnson et al. (2011) who stressed that functional strategies offer benefits and limitations on the way in which an organization operates and to maintain productivity, the managerial staff needs to understand and work with those benefits and limitations. Koch (2000) argued that functional and corporate strategy formulation could help managers identify short and long-term remedies for organizations in financial crisis, show managers when an organization is at a turning point, and which way it should turn, provides a system for successfully integrating acquisitions and improving performance.

**Role of governance**

The research findings detailed in table 1 show that 17.5% of the respondents strongly agreed that the strategic direction adopted by counties will heavily depend on the governance systems in the counties, 40.6% agreed bringing to a majority response of 58.1%. 29.4% were unsure while 9.8% and 2.8% disagreed and strongly disagreed respectively. These findings generated a mean score of 3.6 with a standard deviation of 0.948. These findings agree with Pick and Thein (2010) who observed that governance is a key concept for interpreting and explaining changes in a society. The findings also support arguments by Collier (2007) who observed that stated that good governance and economic policies significantly improve growth. The findings further agree with observations by Rose-Ackerman (2008) who pointed out that without good polices and effective institutions, competitive sustainability will not succeed.

**Pearson correlation coefficient for strategy formulation and execution**

Correlation coefficients indicate the extent of inter-
dependence between two variables. Tables 2 and 3 show a 31.2% positive linear correlation between strategy formulation and execution and strategic management of counties in Kenya. Table 2 shows the Pearson correlation coefficients between the independent variable strategy formulation and execution and the dependent variable strategic management of counties. These results further confirm the preceding discussions under each statement and confirm the views by Johnson and Scholes (1999) that implementation of strategy by an organization will involve a strategic plan. The strategic planning process could be done at various distinct institutional levels namely; at corporate, business and operational or functional levels. Each of these levels would have clearly defined strategy that very well interlinks with the other strategies. Jauch and Glueck, (1988) argued that firms should engage in strategy formulation or in strategic management because of various reasons:

- A) Firms should not just react to change; they can pro-act and even make change happen;
- B) Effective strategic management points out the way for employees to follow;
- C) It provides a strong incentive for employees and management to achieve company objectives;
- D) It serves as the basis for management control and evaluation;
- E) It further ensures that top executives have a unified opinion on strategic issues and actions.

**Line of best fit for strategy formulation and execution**

To determine how well the model fits the data in question, it was deemed necessary to draw the line of best fit given it is a key indicator of the predictive accuracy of the model (Anderson et al. 2002). From figure 4, an observation can be made that even though there are some variations away from the line of best fit, there is a general trend demonstrating that there is a positive correlation between strategy formulation and execution and the strategic management of counties in Kenya.

**Regression analysis on strategy formulation and execution**

This was carried out in order to determine whether independent variable strategy formulation and execution strategy can be relied on in explaining the change in the dependent variable strategic management of counties. The coefficients indicate that the correlation coefficient (R) between the independent variables and strategic management in counties was 0.312 which was a positive relationship.

Table 3 shows coefficient of determination (R Square) of 0.097, which means that model can explain 9.7% of the variations or changes in the dependent variable, strategic management of counties.

An ANOVA test performed on the variable, Strategy Formulation and Execution summarizes the results of the variable study in table 4. This table shows that the variable has an F statistic of 15.194 and a P value equal to .000, thus demonstrating that the model is statistically significant considering that the P value is less than 0.05 at the 95% level of confidence.

Table 5 presents the overall model descriptive. Using this summary, a linear model on this single variable could be fitted as shown in formula below.

Based on table 5, a linear model of the form, Y = α + βXi can be fitted, using the single independent variable alone, that is, strategy formulation and execution as follows: Y = 14.060 +0.286Xi + µ

**CONCLUSIONS**

Based on the literature reviewed and the results of the
study presented above, the following conclusions were drawn:

- **Strategic Plan:** The findings and results presented in the study concur with modern strategic management philosophies. However, attention should also be paid to the nearly 21% of the respondents that either were neutral or in disagreement with the statement that a strategic plan is a good starting point for all the counties. The fear that political interference with county activities would render the strategic plan document not worth the time is an issue that will require top management’s attention if the counties are to develop sound strategic and development plans to guide their operations for enhanced economic development.

- **Vision Statement:** The over 76.3% majority of respondents that were in agreement with the need for a vision statement suggest that county management and the residents recognize that developing a vision statement is of critical importance for guiding the strategic directions and operations of the counties. A vision statement drives an institution to the long-term desired results. This inference is also in full support of vision 2030 for Kenya as a country.

- **Objectives and Values statements:** These are as critical as the setting of the vision and mission for an organization. However, the rather large response of 22.4% that was undecided was of concern. A further probe on the underlying reasons revealed that these respondents thought that goal setting was a call which would be heavily politicized. However, strategic management is still a fairly new phenomenon within the public sector world over, and in Kenyan in particular, and
therefore the simple majority of 58.8% obtained is a clear indication that there is the need to develop a unique set of values for the effective management of the counties.

- Borrowing from the Private Sector: The somewhat low affirmation ratings recorded in this study with regards to counties adopting business-like strategic approaches is not unexpected because of the failures of many private firms in Kenya which have eventually gone under yet they had the best documented strategies. However, a large majority of private sector institutions have been able to record high performance ratings due to their diligence in planning. Private sector has been proven to be the main engine that drives any economy world over. Thus adopting strategic planning models similar to those of the successive private sector institutions significantly help the devolved systems in the country start on a good footing.

- Developing Functional Strategies: The over 61% majority of respondents who agreed to the need for development of functional strategies at county level are sufficient reason for the counties to engage in functional strategy development that are aligned with the overall county strategy. This approach, will contribute significantly to the strategic management of the counties for the benefit of all residents.

- Role of Governance Systems: Based on findings from this study, a majority of the respondents were positive that the strategic direction of any public service institution is the role of the governance systems. Strategic management practice in the devolved public sector is starting to bear fruit and this trend is set to help managers run public sector institutions more effectively. Institutions that engage in formal strategic planning processes have a higher probability of success than those that don’t. Strategic management has the following main three benefits to any institution: a) is one sure way to systematize the most important business decisions; b) helps educate managers to become better decision makers. It helps managers to examine the basic problems of a company, c) helps improve corporate communication, coordination of individual projects, the allocation of resources, and short-range planning such as budgeting. Gadiesh and Gilbert (2001) argued that the beauty of a country having a corporate strategy is that everyone in the county, the executives in the front office as well as people in the operating units, can knowingly work towards the same strategic objective without being rigid about how they do so. They conclude by saying that adopting strategic approaches can help provide continuity during periods of county turmoil.

REFERENCES


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