INTERNAL FACTORS INFLUENCING STRATEGY FORMULATION IN THE TELECOMMUNICATIONS INDUSTRY IN KENYA: A CASE OF TELKOM KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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BY

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A project report submitted to the Chandaria School of business in partial fulfillment of the requirement for the degree of Masters in Business Administration (MBA)

United States International University- Africa

SUMMER 2017
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed ______________________ Date ______________________

Michael Ndirangu (646275)

This project has been presented for examination with my approval as the appointed supervisor.

Signed ______________________ Date ______________________

Prof Peter Lewa

Signed ______________________ Date ______________________

Dean, Chandaria School of Business
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All rights reserved. No reproduction or transmission of this work in any form or means, electronic, mechanical, recording or information storage may be undertaken without the authors written permission.
The purpose of the study was to establish the influence of various internal factors in strategy formulation in the telecommunications industry in Kenya with a focus on Telkom Kenya. The study was guided by the following research questions: How does leadership influence strategy formulation? How does organizational culture influence strategy formulation? How does organizational structure influence strategy formulation?

The study used a descriptive research design. The target population of the study consisted of the managerial level employees at Telkom Kenya. The list of the employees was obtained from the company’s human resources department from the 68 employees identified, only 55 responded giving an 81% response rate. The sampling technique for this study was stratified random sampling technique. Questionnaires were used to collect data from the selected respondents. Data collected was analyzed using descriptive and inferential statistics. For this study, the data analysis tool used was the statistical package for social sciences (SPSS) computer software.

The findings revealed that respondents agreed that managers need to consult widely when selecting the firm’s vision, mission and values throughout the institution. It was also revealed that leaders must clearly communicate the organizations vision, mission and values. The findings also show that managers need to clearly elaborate the need for change in the organization and leaders need to forecast the future and make plans based on those forecasts. Managers should also involve their junior staff in strategy formulation. Finally, the analysis also revealed a positive correlation between leadership and strategic planning.

The analysis revealed that the firm has a formal strategic planning process. Additionally, respondents acknowledged that decision making in the firm should be data driven rather than by intuition. On the other hand, strategic decisions are primarily taken by upper cadre managers. The findings revealed that lower level employees should participate in strategy formulation and when the business environment is stable and predictable the firm can formulate long term plans. The analysis also revealed a positive correlation between organization culture and strategic planning.

Finally, the findings also uncovered that organizations with fewer top level managers can make decisions faster than those with many management levels. It was also established that there are strictly laid out process and procedures that hinder creativity and responsiveness.
to environmental changes. The findings also established that a stable business environment calls for a lean management structure and less centralized organizational configuration with fewer management levels. This ultimately allows for employee participation in strategy formulation in the organization.

The study concluded that managers should consult widely when selecting the firm’s vision, mission and values and in order to ensure that the firm's objectives are met, clear communication of the same is essential. It was concluded that a formal strategic planning process exists and all decisions made are based on the current data. Top management are in charge of the strategy formulation process and, the strategic goals and action plans need to be measurable and clearly communicated throughout the organization. As per the findings it was concluded that when there are fewer top level managers involved in the decision making, reaching a consensus is quick. The structure is also faulted for hindering creativity and responsiveness the dynamic changes in the Telecommunication sector.

It was recommended that there is a need for managers to involve the required stake holders in consultation before selecting the firm’s vision, mission and values. There is a need to explicitly communicate to ensure that all the stakeholders are made aware of the vision, mission and values of the firm. The process of decision making should consider past data and the upper cadre managers should have the required knowledge, and experience to make the right decision. The process and procedures that hinder creativity and responsiveness to environmental changes need to be removed to ensure quick decision making. The firm should take an all inclusive approach to ensure effective employee participation in strategy formulation in the organization.

There is a need to undertake another study at the firm to analyze the influence of other internal factors such as staff competence, systems and skills. Similar studies also need to be undertaken in other telecommunication firms to be able to generalize the findings.
ACKNOWLEDGEMENT

I would like to take this opportunity to thank my supervisor Prof Peter Lewa for his tireless and tremendous input and guidance throughout this project.

Also, I would like to thank my family for their support, this has greatly contributed to the success of this project.

Above all, I am grateful to God.
DEDICATION

This research proposal is dedicated to my parents, Samuel and Ann Ndirangu for their early childhood support and discipline which was instrumental in pursuing this course.
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<tr>
<td>IT</td>
<td>Information and Technology</td>
</tr>
<tr>
<td>PSTN</td>
<td>Public Switched Telephone Network</td>
</tr>
<tr>
<td>SA</td>
<td>South Africa</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>CDMA</td>
<td>Code Digital Multiple Access</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The strategic planning process is typically broken down into rational and sequential steps. (Wit & Meyer, 2010; Hamel & Prahalad, 2010; Markovic, 2012). The strategy formulation phase, which consists of conducting a situational analysis using various tools to analyze the internal and external business environment, developing a mission and vision, setting of organizational objectives, generating options and then choosing the most viable one to implement. The second phase is strategy implementation which consists of deployment of the strategy as developed by the firm. Finally, measurement of the results produced by the strategy and control and taking corrective action to manage deviations from the set-out objectives. (Wit & Meyer, 2010).

Strategy formulation is a multifaceted, complex, and time-consuming process. (Wit & Meyer, 2010). The process is typically elitist: it is driven and performed by senior level managers in the organization. (Hamel & Prahalad, 2010). Furthermore, in a lot of instances the process turns into annual ritual with little real impact on the firm’s performance. (Siddique, 2015; Hamel and Prahalad, 2010). Siddique, (2015) asserts that strategies can only be developed in an informal setting and not in a formal company sanctioned planning process. Hamel and Prahalad, (2010) argue that strategy is not only formulated deliberately in the confines of a formal process, but also, emanates from a series of unplanned events outside formal planning procedures. Additionally, the authors noted that strategy formulation and the strategic planning activities are often imposed by an enthusiastic chief executive with little buy in from other managers in the organization. (Siddique, 2015; Hamel & Prahalad, 2010).

Strategy formulation requires that a firm develop a mission. (Wit & Meyer, 2010; Pearce & Robinson, 2007). Wit & Meyer, (2010) refer to the firm’s mission as a set of fundamental principles that define the firm in terms of its purpose, core values and beliefs. Pearce and Robinson, (2007) alternatively describe a firm’s mission as a broad description of the firm’s intent, which dictates how the firm wants to be perceived by its stakeholders. The authors further comment that the mission defines the type of products and markets served by the firm.
firm. Additionally, they insist that the mission of a firm needs to be an explicit statement that is cascade throughout the organization. However, Wit & Meyer, (2010) hold a different view and they declare that a mission statement does not necessarily need to be captured in a formal document, but it should be internalized and reflected in the firm’s culture.

Goal/objective setting is critical in strategy formulation. (Wit & Meyer ,2010; Pearce & Robinson,2007). Pearce and Robinson, (2007) observe that a firms’ goals commonly fall into categories of survival, growth and profitability. In cases where the goal is survival the firm sets short term objective. Regarding profitability a long-term perspective is taken the ideal situation being sustainable profitability of the firm in the long run. Finally, the growth objective is also tied to the profitability and typically refers to an increase in dominance in the segments that the firm serves. Wit and Meyer, (2010) recognize that objective setting is a cognitive process influenced by the individuals involved in the strategy formulation process. The authors recognize that power (formal and informal), politics and culture influence which objectives the firm chooses to pursue.

Wit & Meyer, (2010) stress that organizations operate in turbulent environments and an understanding of these environments is critical in strategy formulation. Typically, companies scan their external and the internal business environments (Pearce & Robinson, 2007). Firms carry out external analysis of the environment using models such as PESTEL and porters five forces for evaluation of the industry. In addition to that they also carry out an internal audit by using portfolio analysis and using models such as mckinsey 7s model. (Mintzberg, Lampel, Quinn & Ghoshal 2003; Pearce & Robinson ,2007). Wit and Meyer, (2010) confirm that the analysis is necessary to uncover the problems and issues that the firm, needs to address to meet its objectives.

Mintzberg et al, (2003) contend that the firm needs to take a decision after environmental scanning and generation of alternatives, that strategy is then implemented with aim the of achieving the earlier developed goals. However, different authors hold varying opinions on how selection of strategic options should be undertaken taken in an organization. Some advocate that the decisions be taken by the managers in the organization (Pearce & Robinson, 2007). While others advocate for a collective approach through development of collective intuition in the firm. (Mintzberg et al, 2003). The authors also note that politics play a role in option selection and the organization can be divided into different factions that hold contrasting points of view.
An effective strategy formulation process must ensure that all members in the organization are informed of what is demanded of them by the firm, also, they should be able to participate directly in the formulation of the plans. This is necessary to ensure that each member has a claim to its ownership. Though this is rather obvious, it is not easy to into practice, (Tassabehji & Isherwood, 2014). How an organization formulates plans is typically influenced by its culture, how an organization does things or way of doing things. This has a great bearing on how an organization goes about planning. (Markovic, 2012). Hamel, (2011) confirms that the organizational structure does have an impact on an organizations strategy formulation. The author is particularly concerned with the layers of management or the hierarchy in the organization. Kiptoo & Mwirigi (2014), asserts that culture is a huge determinant of strategy formulation in organization because commonly held believes are likely to influence decisions and the process.

In the Kenyan telecommunications, the study will focus on Telkom Kenya. The firm was established as a telecommunications operator under the Companies Act in April 1999. The firm initially offered mobile services via code digital multiple access (CDMA) and landline services through public switched telephone network (PSTN). Also, the firm offered dial-up Internet access, a form of Internet access that used the facilities of the (PSTN) and (CDMA) to establish a dialed connection to an Internet service provider (ISP) via telephone lines. The firm then established Jambonet, the first broadband (ISP) and an important (ISP) in Kenyan history. (Ndemo, 2015). Telkom Kenya was the incumbent and a monopoly for a longtime in the Kenyan telecommunications industry. The firm operated Kenya’s internet gateway and backbone until 2004 in an exclusive deal with the Kenyan government. Also, the firm is still the only licensed landline provider in the country. However, the firm lost its grip on the market as it seems the firm did not have clear strategic plans to enhance its initially strangle hold on the local telecommunications market in Kenya (Wamoto, 2015).

In 2007, France Telecom (now Orange South Africa [S.A]) acquired 51% of Telkom Kenya’s shares. According to an Inheritance Tax Report, France Télécom and the Kenyan government would bring 11 and 19 percent of their respective shareholdings on the market within three years of the deal’s completion. Telkom Kenya’s partnership with France Telecom saw the launch of the Orange brand in Kenya in 2008. Later in November 2012, the shareholding was restructured. The Kenya government lost 9% stake to retain a total of 40% stake. In January 2013, France Télécom further diluted the government’s stake in
Telkom Kenya to 30% due to the government’s failure to honor its financial obligations in the partnership. (Orange, 2016)

In June 2016 Helios Investment partners, a private equity firm took over the majority stake in the firm and retained the Telkom brand. Helios bought out orange so to gain 60% stake of the firm. The new partner Helios investment partners is a private investment fund controlling 3 billion usd. The firm focuses its investments in Africa where it seeks to provide capital and bridge the knowledge gap in the continent. Helios has business interests across Africa in Morocco, Egypt, South Africa, Angola, Tanzania, Kenya and Nigeria. Helios’ portfolio companies operate in more than 25 countries in all regions of the continent. (Helios, 2016)

1.2 Statement of the Problem

Barrows, (2009) noted that strategy execution has drawn much of the focus of researchers in the recent past and it is now appears to be the ultimate priority for business leaders. Nevertheless, the significance of strategic planning is still recognized by institutions with over 88% still retaining some form of strategy formulation process. Rose and Cray, (2010) confirm that a key component for the success of any organization is its capacity to formulate a sound strategy despite turbulent business environments and resource constraints. Additionally, Demartini, (2013) warns that strategy formulation is often a very daunting task for any firm. The author then notes that inept strategy formulation leads to poor performance of the organizations. Finally, the author notes that there are many factors that influence the strategy formulated by a firm.

Numerous researchers have attempted to demystify the factors that influence strategy formulation in organizations. Rose and Cray, (2010), examined the factors that influenced strategy formulation in public sector organizations in Canada. The authors admitted that the issues arising were similar to those experienced by private firms, the sitting leadership and the organizational environment contributed greatly to the quality of strategy formulated by the government institutions. Siddique, (2015) investigated strategy formulation in the United Arab Emirates. The author compared strategy formulation between Small and medium enterprises and large organizations. The author found that firms both large and small firms employed strategic planning and they recognized culture and leadership influence on the process.
Locally, authors also sought to understand the factors influencing strategy formulation in institutions. Sije and Ochieng, (2013) in their study examined strategy formulation in public secondary schools in Homa-Bay county in Kenya. The authors found that the school’s leaderships education level as well as their training greatly affected the school’s strategy formulation capabilities. Likewise, Nyagah, (2015) investigated strategy formulation in secondary schools (private and public) in the coast region of Kenya. She found that leadership skills, knowledge, academic qualification and resource limitations influenced strategic formulation, a deficiency of the fore mentioned skills lead to very poor or no strategy formulation in the schools.

However, no study has been undertaken thus far to establish the factors that influence strategy formulation in the telecommunications industry in Kenya. Therefore, this study sought to uncover how Telkom Kenya manages its strategy formulation and what key factors influence strategy formulation in the institution.

1.3 Purpose of the Study

The purpose of the study was to investigate factors that influence strategy formulation in Telkom Kenya.

1.4 Research Questions

The study was guided by the following research questions:

1.4.1 How does leadership influence strategic formulation?
1.4.2 How does organizational culture influence strategic formulation?
1.4.3 How does organizational structure influence strategic formulation?

1.5 Importance of the Study

The findings of this study will benefit the following:

1.5.1 Management of Telkom Kenya

Managers are responsible for the development and formulation of an organizations strategic plans. It is however clear that effective formulation of actionable strategic plans is a daunting task. The management of Telkom Kenya will use the knowledge gained from this paper to appreciate the strategy formulation process better. The study will also give
management insight on what elements affect the firm’s strategy formulation process to enable them manage the factors influencing strategy formulation.

1.5.2 Telkom Employees
The Telkom Kenya employees will appreciate the process of strategic plans formulation and the role they play in it. Additionally, they will understand what impact they have on the strategy formulation process and understand what input is required of them by the firm’s senior management.

1.5.3 The Government
The study will be important to the Kenyan government. First as a shareholder with forty percent stake in Telkom Kenya, the government will need to understand what ails the firm in forming its strategic plans and how to correct it. Secondly, as an industry regulator the government will need to be understand how its policy might affect the internal mechanisms of strategy formulation by an organization.

1.5.4 Researchers
The study will be an important catalyst for further exploration and research in this area. This is particularly so because the study is suitable for further research by scholars. It will also form the basis of other studies with interest in the strategy formulation process in Telecommunications firms in Kenya. The study will contribute to the body of knowledge on the internal factors affecting strategy formulation in the organization.

1.6 Scope of the Study
The target group for the study will be comprised of the top and middle tier management professionals who work for Telkom Kenya. The study will be based on the policy status as at May 2017.

1.7 Definition of Terms

1.7.1 Strategy
Strategy is an elaborate undertaking by a firm’s top management that seeks to evaluate the current business standing, analysis of the firm’s business environment and eventually developing a grand plan to be followed by the whole organization. (Siddique, 2015)
1.7.2 Organization Culture

Organizational culture is set of beliefs, values and a learned manner of management, which is reflected in the structure, system and approach to the development of the corporate strategy (Markovich, 2012).

1.7.3 Organization Structure

Organization structure is the system of task, reporting, and authority relationships within which the work of the organization is done (Griffin & Moorhead, 2010).

1.7.4 Organization Leadership

A person who is tasked with managing/leading a group of people to archive clearly set-out goals (Kiptoo & Mwirigi, 2014).

1.8 Chapter Summary

This chapter outlined the background of the study, problem statement, purpose of the study, research questions and importance of the study, scope and the definition of key terms used in the research. Chapter 2 of the research will cover the literature review while Chapter 3 outlines the research methodology followed in the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter is structured based on the specific research questions. It reviews the relevant literature available that focuses on the internal factors that affect strategy formulation. The chapter will be divided into sections that include organizational leadership, culture/shared values and structure and their influence on the strategy formulation process. These ideas will be presented in the context of the Mckinsey 7s framework as shown in figure 2.1.

![Mckinsey 7s Model](image)

**Figure 2.1: McKinsey 7s model**

2.2 Organizations Leadership and Strategy Formulation

Kaplan, (2005) describes the term style in the context of the McKinsey 7s model as the organizations leadership. The author further explains that style is the way leaders interact with their subordinates, what they focus their time on as well as their subconscious acts driven by the firm’s culture. Many scholars have varied definition of the term leader. Loon, Lim, Lee and Tam (2012), assert that a leader can be defined as somebody who has followers. Additionally, a leader can be described as someone who is able to motivate and
influence others to work willing towards achieving a set vision without having to apply formal authority on the employees. The authors also add that the art of being a leader requires that one exercise their authority without resulting to the use of formal power or force, but rather convincing the employee/follower to see their point of view and enticing them to work relentlessly to achieve the set goals. Kiptoo and Mwirigi (2014) also hold a similar opinion and they try to differentiate between a leader and manager, the authors declare that a leader encourages the employee and gives them the room to deliver on their set objectives without micro managing them. Furthermore, leaders unlike managers are accommodating towards their employees and generally are mentors to their followers as they strive to encourage them to achieve the organizational goals whilst assisting them develop their capabilities for future roles.

Loon et al. (2012) assert that leaders are a key ingredient for success of organizations in the current day and age. They further remark that the status quo cannot be upheld and leaders need to seek and strive to challenge things as they are. The authors then remark that the job of a leader is to create social architecture that can generate intellectual capital that can be used to deliver a firm’s competitive edge. Azhar, Ikram, Rashid and Saqib, (2013), assert that leaders have a tough balancing act to manage as they delve into matters to do with strategy, the authors declare that leaders need to be strong but not rude, be kind but not weak, be bold but not bully, be thoughtful but not lazy, be humble but not timid, be proud but not arrogant and have humor but without folly. The statement suggests that leading seems to be a very tough role that requires the use of a multitude of skills to ensure that the firm runs very efficiently.

2.2.1 Organization Leadership Styles

An organization’s leadership style alludes to how the institutions leaders manage the firm. Marx, (2015) declares that there are innumerable definitions of the term leadership, additionally the line between leadership and management is blurred and to a degree all leaders manage and most managers lead. There are varied leadership styles that can be adopted by leaders in and organization. According to Mastrangelo, Eddy, & Lorenzet, (2014) there are typically two constructs that define leadership in general, task orientation and people orientation. In addition to that there is a third leadership orientation. This type of leadership focus on a balance between people focus and task driven leadership. Other authors on the matter seem to divide leadership in to types transformational leadership and
transformational leadership. (Mesu, Sanders, & Riemsdijk, 2015; Brandebo, Nilsson, & Larsson, 2016).

The transformational leader seeks to inspire employees to want to deliver on the firm’s objectives by convincing them to buy into the organization’s agenda (Mesu et al., 2015). Brandebo et al. (2016) add that transformational leaders aim to build trust, admiration, loyalty, and respect from the subordinates. This typically culminates in the subordinates becoming motivated to exceed what they originally set-out to achieve. Yahaya and Ebrahim, (2016), stress that transformational leadership seeks to develop the employee and not just have them deliver their organizational objectives. This kind of leadership seeks to intellectually stimulate the employee by offering them challenging jobs, offer individualized consideration by developing the employee through delegating roles to them. Finally, the authors stress that the transformational leaders ooze charisma and are therefore role models to their employees who in turn seek to emulate and please them.

The second type of distinct leadership is the transactional type. (Ojokuku, Odetaya, & Sajuyigbe, 2012). The authors describe this as the wheeler-dealer type of leadership, transactional leaders are always willing to offer a reward for allegiance from their employees. The leaders can offer monetary gain, a new role, a promotion or a desired change in duties. Transactional leaders reward employees after they meet the set-out objectives and failure is not tolerated. Yahaya and Ebrahim, (2016) add that transactional leadership occurs when one person connects with others for the intention of an exchange of valued things that could be economic, political, or psychological in nature. Birasnav, (2014) adds to the debate by remarking that transactional leadership is an exchange or trade-off process in which leaders’ reward either employees’ efforts to fulfill obligations or their performance to achieve predetermined goals. The author further stresses that the transactional leader uses rewards as an incentive to ensure that the employees understand that there is a correlation between reward offered and efforts taken to achieve the set goals. Finally, the author describes this type of leadership as management by exception and are highly task oriented.

According to Ojokuku, et al. (2012), charismatic leadership style is another type of leadership that can be applied to an organization. Anderson and Sun, (2015) assert that charismatic leaders have a vision, as well as a personality that motivates followers to execute that vision. The leaders are viewed as extra ordinary by their followers and their
personal magnetism and visionary appeal leads to engaged employees. Ojokuku et al. (2012) add that charismatic leadership encourages employee to be innovative and creative, and thus leading to highly motivated employees. With charismatic leaders at the helm, the organization’s members simply want to follow. Anderson and Sun, (2015) also allude to the fact that some charismatic leaders are self-serving.

Anderson and Sun, (2015) propose the servant leadership model. In this instance the leader, seeks to elevate and uplift those that they are simultaneously leading as well as, serving. This type of leadership is underpinned by authenticity where the leader only holds the employees accountable for what is in their sphere of control and forgiving what is out of their control. In addition to that the leader typically has an altruistic calling and purposes to do well regarding their followers. Servant leaders are also very forward thinking and they seek to challenge the status quo to develop a better tomorrow for their organization. Servant leaders typically treat their employees as equals and they strive to ensure that they are fair to them and are therefore a people oriented leadership style.

2.2.2 Organizational Leadership Roles in Strategy Formulation

Leaders typically have a key role to play when it comes to the strategy formulation by an organization. Fairholm (2009), divides the strategy process into the strategic thinking, the leadership domain which involves the process of coming up with the firm’s values, vision and mission. The author then describes the strategic objective setting and implementation as strategic planning and considers that to be the management domain. Azhar et al. (2013) concur that the leaders are direction setters for an organization and they need to have a clear view of the direction that they would like the organization to take in relation to the strategy formulation and implementation.

Leaders are vital to the formulation of strategies. They are responsible for the generation of an organizations vision which is the key driver of all the organizational undertakings (Fairholm 2009). The initial stage of strategic thinking requires that leaders develop a vision and thereafter a firms’ values. The leader’s vision provides a basis for strategy formulation and subsequently strategy execution (Azhar et al., 2013). The vision should be created in conjunction with the team to create buy in from the staff. Everyone should understand the need for change and should contribute their effort to towards achieving the firm’s vision. Wit and Meyer, (2010) confirm that leaders need to inspire and motivate the people to bring about change. Ascot, (2008) remarks that key role of leadership is to ensure
that they develop a vision that all the organizations employees will buy into. The leader also needs to ensure that the vision is cascaded down to all levels of the organization and it is properly understood and that all staff of the organization will act in accordance to the set-out vision of the organization.

Fairholm, (2009) declares that leaders are solely responsible for the development of an organization's mission. Loon et al, (2012) add that a transformational leader should ideally influence the employees to strive to achieve the organization's mission through encouraging the employees to set aside their self-interests to achieve the common goal of the team.

Azhar et al, (2013) add that leaders are tasked with the key role of not only developing a firm’s mission statement but also ensuring that the employees are able to distinguish between the firm’s vision and mission. The authors also declare that leaders of an organization are required to ensure that the mission statement of the firm is adopted by all the employees and that it governs all the organization’s actions. Also, the firm should ensure that the firm’s employees know exactly what the firm’s mission statement states and stands for.

Azhar et al, (2013) further claim that some organizations leaders are vital in the development of the firm’s values, the firm’s values are used to indicate the firm’s expected behavior. Loon et al, (2012) insist that another key role of a leader is to ensure that employees learn and institutionalize the firm’s values as dictated by an organization’s vision and mission. Fabrri, (2016) states that values are indicative of an organization behavior and are key in steering a firm in the right direction in the quest to achieve the firm’s objectives. Employees should be involved in value formulation. Azhar et al, (2013) assert that values should be reflected in the firm’s strategy and vision. They go on to say that a leader cannot afford to underestimate the integral role of values in the process of strategy formulation. Therefore, the leader needs to leverage on the firm’s values to deliver on the firm’s agenda.

Objective and goal setting is also a key role played by leaders during strategy formulation. The goals set act as a guide line for the organizations, they need to be simple, measurable, attainable, and realistic and time bound. (Azhar et al, 2013). Herrmann and Nadkarni, (2013) insist that good chief executives of an organization need to set goals and ensure that employees buy into the goals and derive motivation from them. Anderson and Sun, (2015) support by suggesting the introduction of shared goals which the leader should ensure are
supported by all the employees to foster concentration of the firm’s energy towards attainment of the stated goals.

Azhar et al., (2013) explain one of the main duties played by a leader is acting as an analyst in the strategy formulation process. Fabrri (2016), Fairholm, (2009) and Drago and Clement, (1999w) all agree that a leader plays an integral role in the environmental analysis that is required to inform the firm of its current position in the market place as well as its strengths and weaknesses in the market place. Leaders needs to analyze the situation and identify gaps that can be exploited to deliver success to the organization. Leaders are also tasked with the arduous role of seeking out information and then sieving out what is relevant in the decision-making process. Fabbri, (2016) confirm that the leaders need to analyze the internal as well as the external environment that the organization is operating in to be able to develop strategies that the firm can employee.

Leaders must be great organizers. Exceptional planning skills are pre-requisite skill for any leaders whether they are formulating or implementing plans in an organization (Azhar et al., .2013). Fairholm, (2009) supports by adding that leaders need to organize work plans based on strategic priorities and take appropriate measures such as allocation of resources to meet the firm’s goals. Leaders also organize the systems and organize for change and change management of an organization. Additionally, leaders also organize for the actual planning process by organizing for venues and providing some clear guidelines on how the project should be carried out and institutionalize a formal planning process. Azhar et al. (2013) add that the leaders organize the organizations structure to be in line with the firm’s objectives this allows for the firm to be coherent and deliver on its objectives. Employees are an important resource to an organization so leadership key responsibility to assemble a team that can contribute to the strategy formulation process. Further to that it is the responsibility of leadership to provide the required resources are availed when needed.

Leaders ought to be exceptional decision makers. They are tasked with the responsibility of gathering a lot of data both about the internal organization and about the external business environment. After gathering this information, the leaders then make decisions on the strategic direction that the firm should take. (Azhar et al., .2013). Henry, (2016) adds to that by adding that the chief executive officer in an organization is solely charged with the responsibility of making decisions about how the organization should operate. In addition, the author stresses that it is important that the leadership of the organization decide on
whether there will be a need for a change of the organizational culture and structure to take advantage of developments in the business environment.

2.3 Organizational Culture and Strategy Formulation.

A firm’s shared values can be termed as the firm’s corporate culture (Weiss, 2011; Alshaher 2013). The authors further elaborate that the firm organizational shared values refer to a firm’s dominant values beliefs and norms. In the context of the mckinsey 7s model the study shall use both terms interchangeably.

All organization have a unique way about them, they have a distinct way of handling their matters, and this behavior is shaped by organizational culture (Naranjo-Valencia, Jimenez-Jimenez & Sanz-Valle 2011; Vijayakumar & Padma, 2014). Organizational culture is evident everywhere in the organization. Organizational culture is reflected in verbal and non-verbal communications between organizational members. Additionally, culture is also manifested in the artifacts that are in or on display in the company’s premises. On occasion, the culture of a company is obvious and clearly visible, as seen in the way a firm handles its customers and the artifacts on display to support this focus on customer service. Other times, a company’s culture is less obvious and needs to be further probed to be uncovered. (Flamholtz & Randle, 2011).

Culture is formed due to either external forces or because of an internal push in the organization. (Yin, Lu, Yang & Jin, 2014; Schneider, Barsoux, & Stahl, 2014). (Yin, Lu, Yang & Jin, 2014) infer that culture formation is an event caused by critical incidents that later develop into norms, or because of the influence of a leader if they are powerful enough to impart their norms into the organization. Schein, (2010) notes that organizational culture is then manifested in three ways: 1 Artifacts which include visible structures and processes, and observed behavior which may be difficult to establish; 2 visible values and beliefs which include ideas, goals, values, aspirations, ideologies and rationalizations; 3 assumptions such as unconscious, taken-for-granted beliefs and values.

Majority of researchers tried to define different attributes and types of organizational culture. Key among them is Hofstede who has been very influential in studies of organizational culture. Hofstede through research at IBM identified four dimensions of culture. These four dimensions used to differentiate between cultures are: power distance,
uncertainty avoidance, masculinity/femininity and individualism/collectivism (Yahyagil, 2015). Ito et al. (2010), state that the four dimensions are not personality traits but, societal patterns. They are no more than abstractions that capture main behavioral trends which also influence organizational behavior.

Naqshbandi, Kaur, Schgal and Subramania (2014) inferred that strategy formulation was largely affected by an organizations culture. The authors identified various types of cultural configurations of firms that ultimately had great impact on how organizations formulated their strategies. These are the highly integrative culture, market-oriented culture, moderately integrative culture and hierarchy culture. The cultural values relate to both internal integration and external adaptation functions of the firms. Firms with highly integrative culture pay equally high attention to employee development, harmony, customer orientation, social responsibility and innovation. Schein (2010), agrees and confirms that firms that are keen on the dimensions that contribute to these two functions (internal integrations and external adaptability) are more effective at managing their firm’s cultural elements.

Surprisingly, culture has largely been ignored by managers and scholars as an important factor in accounting for strategy formulation and organizational performance. Is that it encompasses the taken-for-granted values, underlying assumptions, expectations, collective memories, and definitions present in an organization? It represents ‘how things are done around here’. It reflects the prevailing ideology that people carry inside their heads. It conveys a sense of identity to employees, provides unwritten and often unspoken guidelines of how to get along in the organization, and it helps stabilize the social system that they experience (Cameron & Quinn, 2011). Culture creates the context for social interaction that ultimately determines how effective an organization can be at creating, sharing and applying knowledge (Chang & Lin, 2015).

Gomez-Miranda, Perez-Lopez, Argente-Linares & Rodriguez-Ariza (2014) found that the cultural orientation of a firm influenced the strategy of the organization, they discovered that an organization’s culture and structure needed to be aligned, otherwise the strategy will not be successful. Viegas-Pires, (2013) suggested that organizational culture needed to be considered when planning, the author then went to mention two types of culture, organizational culture and the culture within the organization. The former refers to culture formulated and perpetuated by a firms’ top management, while the latter refers to the
culture that sips into the organization over time. The authors recommend alignment between the two sets of culture to ensure congruence and effective strategic formulation by the organization.

A key determinant of the organization output is the firm’s culture. A firm’s way of doing things seems to overshadow other factor including education and level of skills of employees. Due to this reason, organizational culture must be considered in any effort towards strategic planning. Strategic planning for organizational culture is possible only if the future direction is either consistent with that culture and the direction it is heading, or the culture feels such pressure on its possible continuation that it is willing to break its past to have a future at all (Hunt, Oosting, Stevens, Loudon, & Migliore, 2013).

Mullins, (2010) describe the organizational climate which refers to the atmosphere in an organization. The right organizational climate ensures that the employees are engaged and focused on productivity in the organization. It reduces the possibility of resistance to change and rules (Neuert, 2014). As a system of shared meaning, it is a critical variable for effective strategy process. Hofstede concluded that organizational culture is a soft, holistic concept with, presumed hard consequences. An organization’s collective culture ultimately manifests in the employees’ behavior and attitudes and thereby influences the organizations performance (Neuert, 2014). Organization culture can also influence strategy in that: strategy formulation can be affected by the communication culture of an organization, whether the communication is top down only or whether there is an open door policy, this will determine whether lower cadre employees can approach senior level managers with ideas on the firm’s strategy (Shin, 2013).

2.3.1 Types of Organizational Culture

According to Yahyagil (2015), managing an organization is especially difficult considering the possibility of having different types of cultures in an organization. Naqshbandi et al. (2014) assert that organizations typically have an organization culture as well as a culture that slowly creeps into the organization. Leaders should recognize the different cultures and delineate their use in certain parts of the organization, also they need to improve them or change them completely, in accordance with desired results. Flanigan, (2016) calls for alignment of institutional mission, vision, objectives and strategy to the firm’s culture. The author asserts that this approach in turn leads to improved outcomes for the institution.
Additionally, the author asserts that planning success is dependent on consideration of the firm’s culture.

Clan type culture can be defined simply as a “family-type organization”. This type of culture is collectivist rather than individualistic (Teson & Pizam, 2013). They are most effective in domains of performance relating to morale, satisfaction, internal communication, and supportiveness. These culture is good at organizing, controlling, monitoring, administering, coordinating and maintaining efficiency (Flanigan, 2016). Adhocracy-type culture is most effective for high performance, particularly as concerns dynamic environments, which require a lot of innovation, creativity and experimentation. Market-type cultures are goal oriented, with leaders who are demanding towards employees, they are focused on dominance in the market place. (Cameron & Quinn, 2011). Lastly, hierarchy culture are defined as cultures that place high importance on rules and regulations, distinct lines of communication and accountability and maintaining tight and smooth operations throughout the organization. (Teson & Pizam, 2013).

Each of these different organizational cultures affects the organization differently. It is for this reason that many companies combine several types of organizational cultures to achieve the best performance. Most organizations believe that two or more balanced cultures are most appropriate solution for their company. Although different organizational cultures can be successful, none of them is optimal (Markovic, 2012). In a large and diverse organization, culture can become complex and will typically spawn many subcultures as there are distinct groups of employees with similar understanding and interest (Vijayakumar & Padma, 2014).

2.3.2 Role of Organizational Culture in Strategy Formulation

Firms shared values and culture do influence a firm’s strategy formulation. The key factors that affect the said organizational structure are the firm’s cultural products which are brought about by the sharing of assumptions and their institutionalization. (Shrivastava, 1985). Organizational culture is typically manifested through cultural products. The products are 1. myths and sagas, 2. language systems and metaphors, 3. symbolism, ceremony and rituals and 4 value systems and behavior norms. Schneider, Barsoux and Stahl, (2014) state the external environment is relevant to strategy formulation as the firms do continuously seek to align their culture to external environments. Additionally, the
authors argue that internal integrations are also important as they point to who is involved in taking decisions in an organization. The authors also introduce two contrasting cultural models of strategy the controlling model which is centralized and formalized. The second model the adaptive model that is decentralized and informal. These two models determine how firms gather, process and evaluate information in the organization.

According to Shrivastava, (1985) myths and sagas shape the way managers and members of the organization initially process information during the information scanning phase and thus affect problem formulation. The processing of information is largely guided by commonly held myths in the organization. In contrast Schneider, Barsoux and Stahl, (2014) contend that how organizations process information is guide by their environment. In environments that are perceived as relatively stable and predictable, analytical tool such as industry reports are applied to scan the environment, however, in those environments perceived to be less stable information is gathered through informal channels and personal relationships.

Additionally, language systems and metaphors affect the way alternatives are evaluated. Deeper understanding of issues is influenced by use of more specialized categories. For example, the metaphor of business being like war could mean that managers use the analogy of war to make decisions when picking an alternative. Schneider, Barsoux and Stahl, (2014) also note that the business environment does have an impact on the way that alternatives are evaluated in the context of the firms. If perceived as unpredictable an adaptive approach is embraced where alternatives are evaluated against home grown and intuitive models in the firms. In the contrast in the controlling model forecasting and structured models are used to evaluate alternatives in stable environments. The author’s note that the controlling model calls for use of quantitative, objective and impersonal data. On the other hand, the adaptive model will rely on qualitative, subjective and personal data.

Value systems determine strategic choices, values of top managers do have a bearing on the decision-making process of an organization. (Shrivastava, 1985). Schneider, Barsoux and Stahl, (2014) agree that in some instances decisions are made the top managers and experts. However, in some instances all employees across the organization can participate in the decision-making process. Rollinson, (2008) warns that organizations with the right culture sometimes get caught in the past and fail to make decisions that are appropriate to the current scenario but rather depend on nostalgia.
Lastly, organizational culture does affect the strategy formulation and planning range. In cases where the environment is thought to be unpredictable strategies are made in the short term. Alternatively, where the environment is perceived to be stable strategies are made for a longer duration. (Schneider, Barsoux & Stahl, 2014).

2.4 Organizational Structure and Strategy Formulation

According the Mckinsey 7s model, organizational structure refers to firm’s hierarchical divisions. (Weiss, 2011). To archive its goals an organization typically breaks down its operations into specific different work groups. (Tran & Tian, 2013). Tran and Tian, (2013) further describe an organizations structure as the allocation of duties so that work can be effectively carried out. Wolf (2002) as cited in Osano and Gachunga, (2013) states that organization structure is the architecture of the firm’s competence, leadership, talent, functional relationships and arrangement. Also, organizational structure is the internal differentiation and patterning of relationships, this is achieved through setting limits and boundaries for members in the organization whilst ensuring that they have the necessary resource allocations to allow them to achieve their goals. (Tran & Tian 2013).

Typically, organizations are divided into departments such as marketing, sales, advertising, manufacturing, and so on. Within each department, even more distinctions can be found between the jobs people perform. Departments are linked to form the organizational structure. The organization’s structure gives a firm the form it needs to fulfill its function in the environment (Nelson & Quick, 2011). The organization structure links the firm’s different functions, at all levels of the organization, in precisely defined quantities. (Chatzoglou, Diamantidis, Vraimaki, Vranakis, & Kourtidis, 2011).

Organizations structures are necessary to enable firm’s archive some key objectives. (Mullins, 2010). The structure provides benefits such as the control of an organizations resources, monitoring activities of the firm, creating accountability for work undertaken by groups, coordination of different parts of the organization and different work areas. A vertical chain is an indicator of the level of bureaucracy within the organization and the way the business is managed. (Mullins, 2010). Kiptoo and Mwirigi, (2014) echo these sentiments, they note that a chain dictates how the organizations processes and procedures can be viewed. A vertical structure creates a link between the headquarters and other business units, this link ensures that instructions from the headquarters are cascaded down
to the business units. The same link allocates authority and tasks to the managers of the intermediate layers in the organization. This helps coordinate activities and create accountability to the different levels of staff in the organization.

Vertical structures are important in areas such as production facilities or factories where efficiency and standardized processes are of the utmost importance. Also, the degree of specialization influences the outcome, the managers are placed in the right position within the firm, and this ensures that the position holder proves their worth in the organization. This ensures that different specialties will be placed to perform on areas that they are trained and have experience that match the job that exist in the organization. (Kiptoo & Mwirigi 2014).

Hamel, (2011) argues that organizations need to carry lean organizational structures. The author asserts that input from organizations members is key to the formulation of a firm’s strategy. Top heavy organizations have a lengthy strategy formulation process. In addition to that the high-level managers in the typical vertical organizational structures are more often out of touch with the realities on the ground and are therefore unable to form realistic and actionable strategy. On the other hand, firms with more flat organization structures have top level managers that are in tune with the realities on the ground and are therefore able to make accurate and actionable strategies.

A decentralized structure allows for decision making power to be installed in the various departmental heads with different degrees of independence in terms of processes, procedures, and input in decision of various tasks and activities. In contract in a centralized structure, the top management controls all the decision making and has all the powers over the departments. (Rosenberg & Keller, 2016). The type of organizational structure will affect the duration taken to formulate strategy. In addition to that the different levels of expertise can also enrich the quality of strategy formulation process and output depending on the approach used by an organization. Where a decentralized approach is used the quality of the decision may be more relevant and realistic as opposed to those that are made from a central location by top level executives only (Kiptoo & Mwirigi 2014).

2.4.1 Types of Organization Structures

Lunenburg, (2012) studies that types of organizational structure as presented by Mintzbergs framework. The author presents the organization structure types as the simple
structure, machine bureaucracy, professional bureaucracy divisional form and the adhocracy. Steiger, Hammou and Galib, (2014) concur with the earlier classification however the choose to change the titles of the types of the structures to represent the current era and configuration of the organizational structures. They named the organizational structures as adhocracy, functional, divisional, strategic business unit and the matrix structure.

The first type of structure is the adhocracy. This type of organizational structure is nibble and agile. (Steiger, Hammou and Galib, 2014). Burns and Stalker, (1994) term this type of organizational structure as organic and very easily adaptable with little in the way of technological resources. Luneburg, (2012) notes that this type of structure is typically has low formalization and decentralization. The author further notes that this type of organizations is typically bottom heavy with a very large group of supporting staff.

Steiger, Hammou and Galib, (2014) refer to the strategic business unit as another form of organizational structure. This structure is more formal that the adhocracy. It typically supports repetitive tasks and the formal structure leads to a reduction in the need for supervision. However, there is a high chance of human error and that typically emanates from the repetitive nature of the tasks being carried by the staff. There are many regulations laid out in formal process documents. Lumenburg, (2012) calls this the simple type of structure and adds that there is direct supervision from management in the firm.

The next type of structure is the divisional structure. (Steiger, Hammou and Galib, 2014; Lunenburg 2012). The emphasis on this type of organization structure is the divisionalisation which mean that the firm can divide its operations into varying logical divisions. Formation of such divisions diversifies risk of the parent firm from the risks experienced by the unique challenges of the divisions. Additionally, decision making is centralized at the divisional level with no push from the parent for coordination among the different divisions. Management of the firm typically finds themselves lacking proper information to make decisions regarding individual divisions.

Another type of structure is the functional type of structure. (Steiger, Hammou and Galib, 2014. Lunenburg (2012) refers to it as the professional bureaucracy whereas Furrer, (2011) refers to it as the (f-form) structure. This type of structure is characterized by professionals
who are highly skilled. The workers are given some leeway to carry out their duties. Functional organizational structure involves structuring an organization around basic business functions such as production and operations, marketing, and finance. It is mainly used by small to medium-sized businesses and is relatively straightforward. (Gasper, Bierman, Kolari, Hise & Smith, 2010). These organizations flourish in complex but stable environments. (Steiger, Hammou and Galib, 2014; Lunenburg 2012). These organizations have few top and middle level managers. (Lunenburg 2012). Autonomy is key as the firms’ aim to deliver high quality work. (Steiger, Hammou and Galib, 2014). The authors add that that autonomy maybe detrimental as it sometimes leads to employees making decisions without consideration of all the factors in the environment.

The other type of structure is matrix type of structure. (Steiger, Hammou and Galib, 2014). The authors further report that this type of structure combines elements of the other structure to develop a malleable and robust structure that can cope with the demands of a complex and dynamic environment. Additionally, the structure encourages risk taking and learning within the organization. This type of structure does not require standardization of skills and this leads to ambiguity. This type of structure is best suited to firms that require both operational and professionally skilled employees.

2.4.2 Role of Organizational Structure in Strategy Formulation

Strategy follow structure is the widely held adage regarding the relationship between the two variables according to Chandler 1962 as cited in Furrer, (2011). However, more recent bodies of work seem to point to the fact that the reverse is also true by highlighting the fact that and organizations structure does have an impact on and organizations strategic planning and formulation process. (Fredickson, 1986).

A key factor that affects strategy formulation is centralization of the organizations structure (Fredrickson, 1986). The degree of centralization refers to how and where power and decision making is concentrated in the organization. (Tran & Tian, 2013; Fredrickson, 1986; Chen & Huang 2007; Zheng, Yang & Mclean 2010). Tran and Tian, (2013) further assert that a high degree of centralization in an organization leaves all the decision making power to a few individual in the hierarchy of the organization. Fredrickson, (1986) adds that unless
dealing with a very small and simple organization, high centralization in strategy formulation is impractically since impossibly high cognitive demands will be placed on the managers tasked with making the said decisions. Nooraie, (2005) asserts that there is a negative relationship between and organizations size and its degree of centralization.

Firms with highly centralized structures can formulate strategy quickly. (Nooraie, 2015). The author argues that highly centralized organizations have few managers and are therefore able to make decisions faster that those that are not highly centralized. Fredrickson, (1986) adds that in instances where a management coalition is installed in an organization and are working together then they can make decisions quickly. However, the authors stress that in most organizations stimuli that informs the strategy formulation process is often experienced by non-management staff. This works to the detriment of highly centralized organizations as the decision makers may never be exposed to such matters when formulating strategic plans.

Another key organizational factor that affects strategy formulation is the level of formalization in an organization. The term refers to the existence of process and procedures that govern how the firm operates. (Fredrickson, 1986; Tran & Tian, 2013). High formalization deprives a firm of spontaneity and creativity. (Nooraie, 2015; Tran & Tian, 2013). Tran and Tian, (2013) state that high formalization leads to the firm having a defined process of strategy formulation and supporting structures for decision making such as budgets. These systems guide and provide parameters within which the organization makes decisions but they however suppress creative thinking.

According to Kumar and Meenakshi (2009), organization structure supports effective strategy formation and encourages accountability for performance in the organization. Tran and Tian, (2013) declare that organizations with highly formalized structures have well defined expectations about behavior of employees, this leads to increased awareness about the organizations as well as, the individual’s goals.

The structure of an organization also affects the ability of workers to learn, to innovate, and to participate in decision making. From a worker’s perspective, different structural configurations affect not only productivity and economic results, defined by the market place, but also the job satisfaction, commitment, motivation, and perceptions about
expectations and obligations. Redesigning organizational structure, therefore, will affect
the intangible “psychological contract” of each individual worker (Mills, Helms, & Bratton,
2007). Unclear and top heavy organizational structure hinder contribution of employees in
the strategy formation process (Pella et al., 2013).

2.5 Chapter Summary

In this chapter, an introduction of the literature review was given. This included the
different aspects that affect strategy formulation in an organization. This chapter has
explored impact of organizational structure, culture and leadership on strategy formation
in an organization. Chapter three will cover the methodology followed in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology to be used in the study including the design, the population of the study, sample size, sample frame, data collection methods, research procedures and data analysis and presentation of the research findings.

3.2 Research Design

Research design is the procedure chosen to collect and analyze data with the primary aim of providing properly reasoned and justifiable answers to the research objectives. Research is conducted within the conceptual structures. It constitutes the blueprint for collection, measurement and analysis of data (Saunders, Lewis, & Thornhill, 2012). The research design is used to structure the research, as well as to show how each of the major parts of the research project, the samples or groups, and the research tools and analysis all work together to try to address the central research questions at hand. Understanding the relationships between designs and thinking about the strengths and weaknesses of different designs is important in making design choices (Collins, 2010).

The study used descriptive research design. This design was used because it yields high response quality and low refusal rates. It is relatively time efficient and fits with this study. (Cooper and Schindler, 2008). The target population of the research comprised of the top and middle tier level managers of Telkom Kenya Limited. The total population is managers. The top level/senior managers were 4 in number and the middle tier managers are 165 in number. Stratified random sampling technique was applied in selecting the intended sample size of 54 respondents from the two levels.

The study was quantitative in nature as data was collected using questionnaires from both strata. A questionnaire was distributed by the researcher to the different respondents and collected after completion. Regarding data analysis, the demographic data was tabulated using frequency and percentages. For data description, the Pearson’s correlation was used.
The data was presented in the form of tables according to the research questions using Statistical Package for Social Science (SPSS).

3.3 Population and Sampling Design

3.3.1 Population

Cooper & Schindler (2014) declare that a population is the total collection of elements about which we wish to make some inferences from. The target population of the study consisted of the Telkom Kenya management both senior level and middle level manager as guided by the human resources department employee list as indicated in table 3.1 below.

Table 3.1: Distribution of managers in different levels in Telkom Kenya

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level Managers</td>
<td>7</td>
<td>4%</td>
</tr>
<tr>
<td>Middle Level Managers</td>
<td>165</td>
<td>96%</td>
</tr>
<tr>
<td>Total Population</td>
<td>172</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A suitable sampling frame was required for the selection of the sampling units. According to Cooper and Schindler (2014), a sampling frame is a list of elements from which a sample can be drawn and is closely related to the population. The target population of the study consisted of the managers in Telkom Kenya. The firm’s management was then being divided into senior level and middle tier managers. A list of management cadre employees in the firm was obtained from the human resources department.

3.3.2.2 Sampling Technique

Stratified random sampling technique was applied in this study. This falls under probability sampling. Saunders et al. (2012), state that, with probability samples the chance, or probability, of each case being selected from the population is known and is usually equal for all cases. They further describe stratified random sampling as a modification of random sampling in which one divides the population into two or more relevant and significant
strata based on one or several attributes. A random sample was then drawn from each of the strata.

Stratified random sampling was used because it combines the conceptual simplicity of simple random sampling with potentially significant gains in reliability. Levy and Lemeshow (2013) note that, it is a convenient technique to use whenever one plans to obtain separate estimates for population parameters for each subdomain within an overall population. Also, it helps to ensure that our sample is representative of the population. The population was stratified into two groups - middle level managers and top-level managers.

3.3.2.3 Sample Size

In any research, selected sample enables the researcher to make a generalization about a given population. A sample is a subset of a population (Cooper & Schindler, 2014). This is however useful only if it accurately represents the larger population. To ascertain that the selected sample is representative of a given population, a researcher need to clearly define the characteristics of the population, establish the required sample size, and choose the appropriate method for selecting members from the population. Choice of sample size is governed by: 1) the confidence you need to have in your data – that is, the level of certainty that the characteristics of the data collected will represent the characteristics of the total population; 2) the margin of error that you can tolerate; 3) the types of analyses you are going to undertake and 4) the size of population from which your sample will be drawn. Most researches are content to estimate the population characteristics at 95 per cent certainty to within plus or minus 3 to 5 per cent of its true values. The smaller the relative proportion of the total population sampled, the greater the margin of error (Saunders et al, 2012).

The sample size for this study was based on the population of top and middle level managers of Telkom Kenya Limited. The desired level of confidence to be considered was 95 per cent and a 5 per cent margin of error was applied as the study was based on a small heterogeneous population. With a population of 172 the sample size of 40% was purposively selected. This sample size was sufficient and representative of the entire population. Table 3.2 illustrates the sample size per strata.
Table 3.2: Sample size distribution of Respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample (40%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level Mangers</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Middle Level Managers</td>
<td>165</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>68</td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

Data collection was conducted using a variety of strategies and instruments. When making decisions about data collection strategies, the researchers needs to have a conceptual idea and an operational definition of their data collection methods. The conceptual idea is the statement of the attributes of interest; the operational definition is how the data will be collected about those attributes (Mertens & Wilson, 2012). Primary sources of data were applied in this study. A structured questionnaire was used as the tool for data collection. It was a self-completed questionnaire. Saunders, et al. (2012), state that self-completed questionnaires are usually completed by the respondents. Such questionnaires are sent electronically using the Internet, posted to respondents or delivered by hand to each respondent and collected later. Responses to completed questionnaires were recorded by the interviewer.

The research instruments were based on the literature review. The first part of the questionnaire attempted to obtain general information about the respondents whereas the second part interrogated the awareness of the respondents towards factors influencing the formulation of strategic plans.

3.5 Research Procedures

The questionnaire was developed by the researcher and was tested for validity and reliability. Reliability of the questionnaire was tested through piloting using 10 questionnaires which were submitted to randomly selected employees. These responses were not included in the final study sample. Validity was then tested by submitting the questionnaire to the supervisor of this project to confirm whether the questions had captured the objectives of the research.
The researcher sought consent from the university prior to the research. The researcher also sought permission from the management of Telkom Kenya to carry out the research. The researcher collected the data using an online questionnaire through survey monkey distributed to the employees of the target population. The researcher made follow ups to ensure that the survey was filled in.

3.6 Data Analysis Methods

Cooper and Schindler (2014), define data analysis as the process of editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. The data collected was first reviewed to detect any possible errors and omissions. In the instances where the provided data was deemed incomplete or noted to have errors, the respondents were re-contacted over the phone for further clarification. Data was then prepared in readiness for analysis using statistical package for social sciences (SPSS) computer software. SPSS generated descriptive statistics.

Data collected was analyzed using descriptive and inferential statistics. Descriptive statistical analysis included methods for organizing and summarizing data such as tables and graphs are to organize data, and descriptive values such as the average score will be used to summarize data. Inferential statistical analysis applied aided in making valid conclusions from the data. This helped predict how a large group will behave based upon information taken from a part of the group. For this study, data analysis tool to be used was the statistical package for social sciences (SPSS) computer software.

3.7 Chapter Summary

This chapter examined the research design and the sample size and sampling design that was be used. It also outlined the data collection method, which was primary data, and the data analysis technique used which was a questionnaire. Chapter four presents the findings and results of the study.
CHAPTER FOUR

4.0 DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses the findings arrived at from the study. The chapter also indicates the results on respondent’s demography; gender, age, experience, education level and. Finally, the chapter summarises the factors that influence strategic planning in Telkom Kenya.

4.1.1 Response Rate

The researcher distributed 68 questionnaires and only 55 were filled and returned. This represents a response rate of 81% as shown in table 4.1

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and collected</td>
<td>55</td>
<td>81</td>
</tr>
<tr>
<td>Non-Responded</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Demographic Information

This section presents results of demographic factors of the respondents who took part in this research study.

4.2.1 Gender of Respondents

From the study, majority of the respondents were male accounting for 64% of the population while the female accounted for 36% as shown in Figure 4.1. This implies that the sector is a male dominated one and more females should be encouraged to join.
4.2.2 Age of Respondents

To investigate the age of the respondents, age group 25-34 had a majority accounting for 71% of the population, age group 35-44 accounted for 15% of the population, 45-54 represented 13%, while those of 18-24 years was 2% as shown figure 4.2. This means that the firm has mature employees with varied ages and therefore the group has a diversity in work experience.

4.2.3 Years Worked

About the years worked, those who had worked for 2-5 years had the highest response rate at 35% of the total population, followed by those with 6-9 years of experience at 31%, then those who had worked for less than one-year accounting for 16%. Following that were the employees who had worked for more than 14 years representing 11%. Finally, those who had worked for 10-13 years representing 7% as indicated in the figure 4.3. This implied
that the organization had relatively experienced employees who can be expected to contribute meaningfully to strategy formulation in the institution,

![Figure 4.3: Years Worked](image)

### 4.2.4 Management Level

As indicated in figure 4.4, middle level managers were the majority and represented 88%, while senior level managers representing 12% of those surveyed. This indicated good response rate from senior managers and middle level managers and therefore contributing to the accuracy of the report as they are the employees expected to participate in strategy formulation.

![Figure 4.4: Management Level](image)
4.2.5 Education Level

The employees’ response to their levels of education indicated that Bachelor’s degree holders were the highest accounting for 44%. Graduate degree holders accounted for 24%, while post graduate degree holders accounted for 22% of the total population. Lastly, diploma holders accounted for only 11% as shown in figure 4.5. This shows that the organization has well educated workforce capable of performing their roles competently.

![Bar chart showing education level distribution](image)

**Figure 4.5: Education Level**

4.3 Leadership and Strategy Formulation

To analyze the first objective respondents were asked a set of statements which they were to indicate on the scale provided by ticking the extent to which they agreed with the statement on a five-scale rank where; Strongly agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (D) = 2, strongly Disagree (SD) = 1.

4.3.1 Impact of Leadership on Strategic Formulation

The findings revealed that 40% strongly agreed that managers need to consult widely when selecting the firm’s vision mission and values, 34% agreed and 13% strongly disagreed. It was also revealed that 65% of the respondents strongly agreed that leaders must clearly communicate the organizations vision, mission and values, another 18% of the respondents agreed with the statement.

The findings also show that 5% strongly agreed that managers need to clearly elaborate the need for change in the organization, while 38% strongly agreed. To determine whether
leaders need to forecast the future and make plans based on those forecasts, 49% strongly agreed, while 32% agreed. In addition, 51% of respondents agreed that leaders should involve their junior staff in strategy formulation as indicated in table 4.2.

Table 4.2: Impact of Leadership on Strategy Formulation

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers need to consult widely when selecting the firm’s vision mission and values.</td>
<td>13</td>
<td>9</td>
<td>4</td>
<td>34</td>
<td>40</td>
<td>3.80</td>
</tr>
<tr>
<td>Leaders must clearly communicate the organizations vision, mission and values</td>
<td>4</td>
<td>4</td>
<td>9</td>
<td>18</td>
<td>65</td>
<td>4.37</td>
</tr>
<tr>
<td>Managers need to clearly elaborate the need for change in the organization.</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>38</td>
<td>50</td>
<td>4.27</td>
</tr>
<tr>
<td>Leaders need to forecast the future and make plans based on those forecasts.</td>
<td>4</td>
<td>2</td>
<td>13</td>
<td>32</td>
<td>49</td>
<td>4.22</td>
</tr>
<tr>
<td>Leaders should involve their junior staff in strategy formulation</td>
<td>6</td>
<td>4</td>
<td>9</td>
<td>51</td>
<td>30</td>
<td>3.98</td>
</tr>
</tbody>
</table>

This implies that managers need to have a wide knowledge and to do so there is a need to emphasize continued communication and for this to happen there is a need for involving all the cadres in the exercise.

4.4 Organizational Culture and Strategy Formulation.

To analyze the second objective, respondents were asked a set of statements which they were to indicate on the scale provided by ticking the extent to which they agreed with the statement on a five-scale rank where; Strongly agree (SA) = 5, Agree (A)= 4, Neutral (N) = 3, Disagree (D) = 2, strongly Disagree (SD) = 1.

4.4.1 Impact of Organizational Culture on Strategy Formulation.

The analysis revealed that 88% agreed that the firm has a formal strategic planning process. In addition, 42% strongly agreed that decision making in the firm should be data driven rather than by intuition while a further 33% agreed with the statement.
On the other hand, 41% strongly agreed that strategic decisions are primarily taken by upper cadre managers and 34% agreed. Majority also agreed that strategic goals and action plans should be explicitly defined and measurable. These sentiments were shared by 49% who agreed and 45% who strongly agreed.

The findings revealed that 45% agreed that lower level employees should participate in strategy formulation, 22% were neutral. It was also established that 40% strongly agreed that when the business environment is stable and predictable the firm formulates long term plans as indicated in table 4.3.

Table 4.3: Impact of Organizational Culture on Strategy Formulation.

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm has a formal strategic planning process.</td>
<td>3</td>
<td>0</td>
<td>9</td>
<td>44</td>
<td>44</td>
<td>4.24</td>
</tr>
<tr>
<td>Decision making in the firm should be data driven rather than by intuition</td>
<td>4</td>
<td>2</td>
<td>18</td>
<td>33</td>
<td>42</td>
<td>4.09</td>
</tr>
<tr>
<td>Strategic decisions are primarily taken by upper cadre managers.</td>
<td>6</td>
<td>4</td>
<td>15</td>
<td>34</td>
<td>41</td>
<td>4.02</td>
</tr>
<tr>
<td>Strategic goals and action plans should be explicitly defined and measurable.</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>49</td>
<td>45</td>
<td>4.38</td>
</tr>
<tr>
<td>Lower level employees should participate in strategy formulation.</td>
<td>7</td>
<td>4</td>
<td>22</td>
<td>45</td>
<td>22</td>
<td>3.71</td>
</tr>
<tr>
<td>When the business environment is stable and predictable the firm formulates long term plans</td>
<td>2</td>
<td>7</td>
<td>13</td>
<td>38</td>
<td>40</td>
<td>4.07</td>
</tr>
</tbody>
</table>

4.5 Organizational Structure and Strategy Formulation.

To analyze the third objective respondents were asked a set of statements which they were to indicate on the scale provided by ticking the extent to which they agreed with the statement on a five-scale rank where; Strongly agree (SA) =5, Agree (A)=4, Neutral (N) =3, Disagree (D) =2, strongly Disagree (SD) =1
4.5.1 Impact of Organizational Structure on Strategy Formulation.

The findings revealed that 36% strongly agreed that organizations with fewer top level managers can make decisions faster than those with many management levels, and 31% agreed. It was also established that strictly laid out process and procedures hinder creativity and responsiveness to environmental changes in this case, 36% agreed, 25% strongly agreed and 21% were neutral.

The findings also established that 34% agreed that a stable business environment calls for fewer number of managers (less centralized organizational configuration), 29% strongly agreed with this. While 58% agreed that fewer management levels, allow for employee participation in strategy formulation in the organization.

The findings revealed that 54% agreed that a firm's organizational structure affects communication flows within the firm, those who strongly agreed were 33%. Lastly, 56% agreed that customer facing employees should play a key role in strategy formulation as tabulated in table 4.4.

Table 4.4: Impact of Organizational Structure on Strategy Formulation

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizations with fewer top level managers can make decisions faster</td>
<td>2</td>
<td>7</td>
<td>24</td>
<td>31</td>
<td>36</td>
<td>3.93</td>
</tr>
<tr>
<td>than those with many management levels.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strictly laid out process and procedures hinder creativity and</td>
<td>5</td>
<td>13</td>
<td>21</td>
<td>36</td>
<td>25</td>
<td>3.64</td>
</tr>
<tr>
<td>responsiveness to environmental changes.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stable business environments call for fewer number of managers</td>
<td>4</td>
<td>14</td>
<td>18</td>
<td>34</td>
<td>29</td>
<td>3.71</td>
</tr>
<tr>
<td>(less centralized organizational configuration)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fewer management levels, allow for employee participation in strategy</td>
<td>0</td>
<td>9</td>
<td>20</td>
<td>58</td>
<td>13</td>
<td>3.75</td>
</tr>
<tr>
<td>formulation in the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A firm's organizational structure affects communication flows within an</td>
<td>2</td>
<td>2</td>
<td>9</td>
<td>54</td>
<td>33</td>
<td>4.15</td>
</tr>
<tr>
<td>organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer facing employees should play a key role in strategy formulation</td>
<td>0</td>
<td>2</td>
<td>11</td>
<td>56</td>
<td>31</td>
<td>4.16</td>
</tr>
</tbody>
</table>
4.6 Strategy Formulation
To analyze the dependent variable objective respondents were asked a set of statements which they were to indicate on the scale provided by ticking the extent to which they agreed with the statement on a five-scale rank where; Strongly agree (SA) =5, Agree (A)=4, Neutral (N)=3, Disagree (D)=2, strongly Disagree (SD)=1

The findings revealed that strategy formulation is an annual process at Telkom Kenya. The study also revealed that 50% of the respondents strongly agreed that the firm’s vision is integral in the strategy formulation process, 38% agreed that mission and values statements are important in the strategy formulation process. The finding also revealed that leadership style in an organization has significant bearing on decision making, 54% agreed and 33% strongly agreed. The findings are indicated in figure 4.5

Table 4.5: Strategy Formulation

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy formulation is an annual process</td>
<td>4</td>
<td>4</td>
<td>9</td>
<td>18</td>
<td>65</td>
<td>4.37</td>
</tr>
<tr>
<td>A firm’s vision, mission and values statements are important in the strategy formulation process</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>38</td>
<td>50</td>
<td>4.27</td>
</tr>
<tr>
<td>The leadership style in an organization has significant bearing on decision making.</td>
<td>2</td>
<td>2</td>
<td>9</td>
<td>54</td>
<td>33</td>
<td>4.15</td>
</tr>
</tbody>
</table>

4.7 Inferential Statistics

4.7.1 Reliability Test

According to Sekeran (2008) the minimum acceptable Alpha value is 0.7, thus any value of 0.7 and above is considered reliable. The findings show that impact of leadership on strategy formulation had the highest reliability ($\alpha=0.873$), followed by impact of organization culture on strategy formulation ($\alpha=0.712$), impact of structure on strategy formulation ($\alpha=0.706$), and Strategy formulation ($\alpha=0.722$). This illustrates that all the four variables were reliable as their reliability values was more than 0.7. The data is summarised in the below table 4.6
### Table 4.6: Reliability Test

<table>
<thead>
<tr>
<th>Scale</th>
<th>Cronbach's Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>leadership influence</td>
<td>0.873</td>
<td>8</td>
</tr>
<tr>
<td>organizational culture</td>
<td>0.712</td>
<td>6</td>
</tr>
<tr>
<td>organizational structure</td>
<td>0.706</td>
<td>6</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>0.722</td>
<td>3</td>
</tr>
</tbody>
</table>

#### 4.7.2 Correlation Analysis

A correlation analysis was done between strategy formulation (dependent variable) and leadership, organization culture and organization structure. As indicated in table 4.7, the study revealed that there was a positive correlation between Planning and leadership (rho .600, p-value 0.000); Culture (rho.0.616, p-value 0.000); structure (rho 0.234, p value 0.030) as indicated. This implies that improved leadership, culture and structure, positively influence the strategy formulation process of the organization as indicated in table 4.7.

### Table 4.7: Correlation

<table>
<thead>
<tr>
<th></th>
<th>Strategy Formulation</th>
<th>Leadership</th>
<th>Culture</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Formulation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>.600*</td>
<td>1</td>
<td>.317*</td>
<td>.294</td>
</tr>
<tr>
<td>Culture</td>
<td>.616*</td>
<td>.000</td>
<td>.018</td>
<td>.030</td>
</tr>
<tr>
<td>Structure</td>
<td>.294</td>
<td>-.187</td>
<td>.256</td>
<td>.059</td>
</tr>
<tr>
<td></td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
</tr>
</tbody>
</table>

**. Correlation Is Significant at the 0.01 Level (2-Tailed).  
*. Correlation Is Significant at the 0.05 Level (2-Tailed).

#### 4.7.3 Regression Analysis

The research analysed relationship between the dependent variable (strategy formulation) against other core factors. The results showed that the R square value was 0.639 hence
63.9% of the variation in strategy formulation was explained by the variations in leadership style, organizational culture and organizational structure as illustrated in table 4.8.

**Table 4.8: Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
<th>Change Statistics</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.799a</td>
<td>.639</td>
<td>.618</td>
<td>.34135</td>
<td>.639</td>
<td>30.078</td>
<td>3</td>
<td>51</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), structure, leadership, culture

An ANOVA analysis was done between strategy formulation and other core factors at 95% confidence level, the F critical was 30.078 and the P value was (0.000) this implies that there was a significant relationship between the factors as indicated in table 4.9

**Table 4.9: Anova Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10.514</td>
<td>3</td>
<td>3.505</td>
<td>30.078</td>
<td>.000p</td>
</tr>
<tr>
<td>Residual</td>
<td>5.943</td>
<td>51</td>
<td>.117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16.457</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance
b. Predictors: (Constant), structure, leadership, culture

**Table 4.10: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.479</td>
<td>.429</td>
<td>1.115</td>
</tr>
<tr>
<td></td>
<td>Leadership</td>
<td>.330</td>
<td>.057</td>
<td>.540</td>
</tr>
<tr>
<td></td>
<td>Culture</td>
<td>.324</td>
<td>.083</td>
<td>.368</td>
</tr>
<tr>
<td></td>
<td>Structure</td>
<td>.273</td>
<td>.083</td>
<td>.300</td>
</tr>
</tbody>
</table>

As per Table 4.10, the equation \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 \) becomes:

\[
Y = 0.47 + 0.330X_1 + 0.324X_2 + 0.273X_3
\]

Where \( Y \) is the dependent variable strategic planning
X₁ – leadership style
X₂ – organization culture
X₃ – organization structure

The regression equation illustrated in Table 4.10 establishes that taking all factors into account (organizational structure, leadership, culture) and all other factors held constant strategy formulation efficiency is 0.47. The findings presented also showed that with all other variables held at zero, a unit change in leadership would lead to a 0.330 increase in strategy formulation, and a unit change in culture lead to 0.324 increase in strategy formulation efficiency. Moreover, the study also showed that a unit change in organization structure would result in 0.273 increase in strategy formulation effectiveness. All variables were significant (p value<0.05). This implies that at Telkom Kenya, leadership, culture and structure influence strategy formulation.

4.8 Chapter Summary
This chapter highlighted results and findings of the study, the first section provided an analysis of demographic data of Telkom Kenya employees who took part in the study, the second section dealt with data on leadership, the third section looked at the data on organizational culture, and the fourth section covered issues of organizational Structure. In chapter five these results will be discussed and relevant conclusions and recommendations made about strategy formulation at Telkom Kenya.
CHAPTER FIVE

5.0 DISCUSSION CONCLUSION AND RECOMMENDATION

5.1 Introduction

This section concludes the study it will offer the study summary as well as relevant discussions while making comparisons to previous studies undertaken related to strategy formulation. The chapter will also offer conclusions and offer recommendations for improvement and further study.

5.2 Summary of Findings

The purpose of the study was to establish the influence of various internal factors on strategy formulation in the telecommunications industry in Kenya with a focus on Telkom Kenya. The study was guided by the following research questions: How does leadership influence strategic formulation? How does organizational culture influence strategy formulation? How does organizational structure influence strategy formulation?

The study used a descriptive research design. The target population of the study consisted of the managerial level employees at Telkom Kenya. The list of the employees was obtained from the company’s human resources department from the 68 employees identified, only 55 responded giving an 81% response rate. The sampling technique for this study was stratified random sampling technique. Questionnaires were used to collect data from the selected respondents. Data collected was analyzed using descriptive and inferential statistics. For this study, data analysis tool used was the statistical package for social sciences (SPSS) computer software.

The findings revealed that respondents agreed that managers needed to consult widely when selecting the firm’s vision mission and values. It was also revealed that leaders must clearly communicate the organization’s vision, mission and values. The findings also revealed that managers need to clearly elaborate the need for change in the organization and leaders needed to forecast the future and make plans based on those forecasts. Leaders also needed to involve their junior staff in strategy formulation. The analysis revealed a positive correlation between leadership and strategic planning.
The analysis revealed that the firm has a formal strategy formulation process. In addition, respondents acknowledged that decision making in the firm should be data driven rather than by intuition. On the other hand, strategic decisions are primarily taken by upper cadre managers. Majority of the respondents noted that strategic goals and action plans should be explicitly defined and measurable. The findings revealed that lower level employees should participate in strategy formulation and when the business environment is stable and predictable the firm should formulate long term plans. The analysis also revealed a positive correlation between organization culture and strategic planning.

The findings revealed that the organizations with fewer top level managers can make decisions faster than those with many management levels. It was also established that there are strictly laid out process and procedures that hinder creativity and responsiveness to environmental changes. The findings also established that a stable business environment calls for fewer number of managers (less centralized organizational configuration), that has fewer management levels and encourages employee participation in strategy formulation in the organization. The study also established that a firm's organizational structure affects communication flows within an organization. Lastly, it was established that customer facing employees should play a key role in strategy formulation. The analysis also revealed a positive correlation between leadership and strategic planning.

5.3 Discussion

5.3.1 Impact of Leadership on Strategy Formulation

The findings revealed that managers need to consult widely when selecting the firm’s vision, mission and values. Leaders are vital to the formulation of strategies. They are responsible for the generation of an organizations vision which is the key driver of all the organizational undertakings (Fairholm 2009). The initial stage of strategic thinking requires that leaders develop a vision and thereafter a firms’ values. The leader’s vision provides a basis for strategy formulation and subsequently strategy execution (Azhar et al., 2013). The vision should be created in conjunction with the team to create buy in from the staff. Everyone should understand the need for change and should contribute their effort towards achieving the firm’s vision.

It was also revealed that the respondents strongly agree that leaders must clearly communicate the organizations vision, mission and values. Wit and Meyer (2010) confirm
that leaders need inspire and motivate the people to bring about change. Ascot, (2008) remarks that the primary role of leadership is to ensure that they develop a vision that all the organizations employees will buy into. The leader also needs to ensure that the vision is cascaded down to all levels of the organization and it is properly understood and that all staff in the organization will act in accordance to the set-out vision of the organization.

The findings also showed that managers need to clearly elaborate the need for change in the organization. Leaders typically have a key role to play when it comes to the strategy formulation in an organization. Fairholm (2009), divides the strategy process into the strategic thinking, the leadership domain which involves the process of coming up with the firm’s values, vision and mission. The author then describes strategic objective setting and choosing a strategic option and considers that to be the management domain. Azhar et al. (2013) concur that the leaders are direction setters for an organization and they need to have a clear view of the direction that they would like the organization to take in relation to the strategy formulation and implementation.

The study revealed that leaders need to forecast the future and make plans based on those forecasts. Leaders must be great organizers. Exceptional planning skills are pre-requisite skill for any leaders whether they are formulating or implementing plans in an organization (Azhar et al, 2013). Fairholm, (2009) supports by adding that leaders need to organize work plans based on strategic priorities and take appropriate measures such as allocation of resources to meet the firm’s goals. Henry, (2016) adds to that by adding that the chief executive officer in an organization is solely charged with the responsibility of making decisions about how the organization should operate. The author sights the current disruptive environment particularly singling out the role technology as a key. The author stresses that it is important that the leadership of the organization decide on whether there will be a need for a change of the organizational culture and structure to take advantage of developments in the business environment.

5.3.2 Impact of Organizational Culture on Strategy Formulation

Majority of the respondents noted that strategic goals and action plans should be explicitly defined and measurable. According to Kumar and Meenakshi (2009), organization culture supports effective strategy formation and encourages accountability for performance in the
organization. Tran and Tian, (2013) declare that organizations should ensure that they have in place a clear objectives to work towards.

The findings revealed that lower level employees should participate in strategy formulation. Zaribaf and Bayrami (2010) revealed that strategy formulation is typically a reserve for the firm’s top management. The middle level managers only implement the strategy. Tran and Tian, (2013) contend that the decision on who gets involved in the strategy formulation is also determined by the type of environment that the organization operates in, weather a stable or an unstable business environment. In stable business environments strategy formulation is a preserve of top management due to high degree of future predictability. In the later scenario, a more decentralized strategy formulation process is required to capture important information in the decision-making process from the various managers within different sections in the organization. Also, it was also established that when the business environment is stable and predictable the firm formulates long term plans. Firms shared values and culture do influence a firm’s strategy formulation.

The study concluded that firms should has a formal strategy formulation process, as many other firms do. (Barrows ,2009) .This allows the firm allocate resources towards achieving its agenda. The study also found that decisions made in the firm should be data driven and not only through intuition of the top managers.

5.3.3 Impact of Organizational Structure on Strategic Planning

The findings revealed that the organizations with fewer top level managers can make decisions faster than those with many management levels. Hamel, (2011) argues that organizations need to carry lean organizational structures. The author asserts that input from organizations members is key for the formulation of a firm’s strategy. However, top heavy organizations lead to a lengthy strategy formulation process. In addition to that, the high-level managers in the typical vertical organizational structures are more often out of touch with the realities on the ground and are therefore unable to make realistic and actionable strategy. On the other hand, firms with more flat organization structures have top level managers that are in tune with the realities on the ground and are therefore able to make accurate and actionable strategies.
The study found that strictly laid out process and procedures hinder creativity and responsiveness to environmental changes. High formalization leads to lose spontaneity and creativity. (Nooraie, 2015; Tran & Tian, 2013). Tran and Tian, (2013) state that high formalization leads to the firm having a defined process of strategy formulation and supporting structures for decision making such as budgets. These systems guide and provide parameters within which the organization makes decisions but they however suppress creative thinking.

The study uncovered that a stable business environment requires fewer number of managers (less centralized organizational configuration). Firms with highly centralized structures can formulate strategy quickly. (Nooraie, 2015). The author argues that highly centralized organizations have few managers and are therefore able to make decisions faster that those that are not highly centralized. Fredrickson, (1986) adds that in instances where a management coalition is installed in an organization and are working together then they can make decisions quickly. However, the authors stress that in most organizations stimuli that informs the strategy formulation process is often experienced by non-management staff. This works to the detriment of highly centralized organizations as the decision makers may never be exposed to such matters when making formulating strategic plans.

The study established that formalization in an organization influences strategy formulation in the organization. Formalization refers to the existence of process and procedures that govern how the firm operates. (Fredrickson, 1986; Tran & Tian, 2013). High formalization leads to lose spontaneity and creativity. (Nooraie, 2015; Tran & Tian, 2013). Tran and Tian, (2013) state that high formalization leads to the firm having a defined process of strategy formulation and supporting structures for decision making such as budgets. These systems guide and provide parameters within which the organization makes decisions but they however suppress creative thinking.

5.4 Conclusion

5.4.1 Impact of Leadership on Strategy Formulation

The study concludes that managers need to consult widely when selecting the firm’s vision, mission and values. They also need to ensure that the objectives of the firm are clearly communicated. The need for change also needs to be clearly articulated and the role of junior staff in the strategy formulation process is considered very vital.
5.4.2 Impact of Organizational Culture on Strategy Formulation

The study concludes that, in the company, a formal strategy formulation process exists and all decisions made are based on the current data. Top management oversee the formulation of strategy. Additionally, the strategic goals and action plans need to be measurable. Finally, such actions are considered effective when the business environment is stable and predictable.

5.4.3 Impact of Organizational Structure on Strategic Formulation

The study concluded that, when there are fewer top level managers involved in the decision making, reaching a consensus is quick. The structure of a firm can be faulted for hindering creativity and responsiveness in the dynamic environment in the Telecommunication sector. Finally, the firm's organizational structure influences the communication flows and thereby impacting contribution to the strategy formulation process.

5.5 Recommendation

5.5.1 Recommendations for Improvement

There is a need for managers to involve the required stake holders in consultations before selecting the firm’s vision mission and values. Also, there is a need to undertake clear communicate to ensure that all the stakeholders are made aware of the vision, mission and values of the firm. Finally, the need for change in the organization should be based on a worthy cause and junior staff involvement in the process of strategy formulation is paramount.

Firms should have a formal strategic planning process. The process of decision making should consider past data as well as future forecasts. Furthermore, the upper cadre managers should have the required knowledge, and experience to make the right decision. Lastly, there is a need for the firm to involve lower level employees in the strategy formulation process.

The number of top level managers should be reasonable to ensure faster decisions making. The degree of formalization in the firm should be managed to ensure that processes and procedures do not hinder creativity and responsiveness to environmental changes. The firm should take an all-inclusive approach to ensure effective employee participation in strategy
formulation in the organization. Communication flows within the organization need to be both top down and from low level to senior levels.

5.5.2 Recommendation for Further Studies

This study set to establish internal factors affecting strategy formulation in the telecommunications industry in Kenya with a focus on Telkom Kenya. The study focused on leadership influence, organizational culture and organizational structure. There is a need to undertake another study at the firm to analyze the influence of other internal factors such as staff competence and skills, systems and resource allocation. Similar studies also need to be undertaken in other telecommunication firms to be able to generalize the findings.
REFERENCES


APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

To Whom It May Concern

United States International University
P.O. BOX 14634 - 00800
Nairobi, Kenya

Dear Respondent,

I am student at the United States International University currently undertaking my Masters of Business Administration (MBA) degree.

I am conducting a study to determine the Factors Influencing strategy formulation in Organizations: A Case Study of Telkom Kenya Limited.

Kindly respond to the below questions to the best your knowledge. The responses collected will only be used for this study. Your assistance in this study will be highly appreciated.

Thank you for your cooperation and time.

Yours Sincerely,
Michael Ndirangu.
APPENDIX II: DATA COLLECTION INSTRUMENTS

SECTION A: Demographic Information

1. What is your gender?
   Male [ ]       Female [ ]

2. What is your age?
   25 or under [ ]     26 – 40 [ ]     41 – 55 [ ]     56 or older [ ]

3. For how long have you worked at the company?
   0-5 [ ]           5 – 10 [ ]         11 – 15 [ ]       16 or above [ ]

4. What is your management level?
   Senior [ ]       Middle [ ]

5. What is your education level?
   Diploma [ ]       Undergraduate [ ]   Graduate [ ]     Post graduate [ ]
SECTION B: Organizational Leadership Style and strategy formulation

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements: Strongly agree =5, Agree =4, somewhat agree =3, Disagree =2, strongly Disagree =1

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>1. Managers need to consult widely when selecting the firm’s vision mission and values.</td>
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<tr>
<td>2. Leaders must clearly communicate the organizations vision, mission and values</td>
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<td>3. Managers need to clearly elaborate the need for change in the organization.</td>
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<td>4. Leaders need to forecast the future and make plans based on those forecasts</td>
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<td>5. Leaders should involve their junior staff in strategy formulation</td>
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</table>
SECTION C: Shared values and strategy formation.

Based on the rating of five; (1) Strongly Disagree, (2) Disagree, (3) Not Sure, (4) Agree and (5) Strongly Agree, show your opinion by putting a tick in the table below.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>1. The firm has a formal strategic planning process.</td>
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<td>2. Decision making in the firm should be data driven rather than by intuition</td>
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<td>3. Strategic decisions are primarily taken by upper cadre managers.</td>
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<td>4. Strategic goals and action plans should be explicitly defined and measurable.</td>
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<td>5. Lower level employees should participate in strategy formulation.</td>
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<td>6. When the business environment is stable and predictable the firm formulates long term plans</td>
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</table>
SECTION D: Structure and strategy formation.

Based on the rating of five; (1) Strongly Disagree, (2) Disagree, (3) Not Sure, (4) Agree and (5) Strongly Agree, show your opinion by putting a tick in the table below.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>1. Organizations with fewer top level managers are able to make decisions faster than those with many management levels.</td>
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<td>2. Strictly laid out process and procedures hinder creativity and responsiveness to environmental changes.</td>
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<td>3. Stable business environments call for fewer number of managers (less centralized organizational configuration)</td>
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<td>4. Fewer management levels, allow for employee participation in strategy formulation in the organization.</td>
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<td>5. A firm's organizational structure affects communication flows within an organization</td>
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<td>6. Customer facing employees should play a key role in strategy formulation</td>
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</table>

THANK YOU VERY MUCH FOR YOUR SUPPORT IN THIS STUDY PROJECT
APPENDIX III: RESEARCH BUDGET

<table>
<thead>
<tr>
<th>Budget Line Items</th>
<th>Cost in (Ksh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Proposal Development</strong></td>
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<tr>
<td>• Materials</td>
<td>5,000.00</td>
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<tr>
<td>• Printing</td>
<td>3,000.00</td>
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<tr>
<td>• Photocopying</td>
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<tr>
<td>2. <strong>Data Collect (Fieldwork)</strong></td>
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<tr>
<td>• Photocopying</td>
<td>2,000.00</td>
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<tr>
<td>• Travelling</td>
<td>5,000.00</td>
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<tr>
<td>• Research Assistant</td>
<td>10,000.00</td>
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<tr>
<td>3. <strong>Data Analysis &amp; Interpretation</strong></td>
<td></td>
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<tr>
<td>• Data Analysis</td>
<td>20,000.00</td>
</tr>
<tr>
<td>• Interpretation</td>
<td>10,000.00</td>
</tr>
<tr>
<td>4. <strong>Report Writing &amp; Dissemination</strong></td>
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<tr>
<td>• Report Writing</td>
<td>20,000.00</td>
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<tr>
<td><strong>Total Cost</strong></td>
<td><strong>77,000.00</strong></td>
</tr>
</tbody>
</table>