



**ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM**

**ASSESSMENT ON FORMULAION AND EXECUTION OF  
STRATEGIC PLAN: IN THE CASE OF MOHA SOFT DRINKS  
INDUSTRY S.CO**

**BY  
HIWOT ABATE**

**JANUARY,2016  
ADDIS ABABA, ETHIOPIA**

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**THESIS SUBMITTED TO SAINT MARY UNIVERSITY, SCHOOL OF  
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ADDIS ABABA, ETHIOPIA**

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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Ass. Professor Tiruneh Legesse. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

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Signature & Date

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor

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Signature & Date

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## Abstract

*Strategy formulation and implementation includes the process of developing a vision and mission, identifying environment analysis for an organization, establishing objectives, generating alternative strategies, and choosing particular strategies to pursue accomplishment. This study sought to assess strategic plan formulation and implementation in the case of MOHA Drinks Industry S.C. The research design adopted was descriptive research. By using a primary data, a questionnaire was distributed to a total of 54 employees at the Head Office. 44 respondents were found who were conversant on the strategic plan formulation and execution of the company. The data collected was analyzed by using statistical Package for Social Sciences (SPSS) Version 17 and the strategic plan reviewed. The major findings of the study revealed that in the formulation, implementation and evaluation process of the strategic plan, the basic elements of the vision, mission and value statements do not shared among employees, Lack of fully participation of middle level and senior staffs in the process, Lack of adequate internal and external environmental study, Lack of provision of adequate policies, manuals and procedures, development of organizational culture, lack of employee's motivation and reward systems more linked with the Human Resource, which there is no strategic initiative identified. Further, in the evaluation phase, Lack of key performance indicators and failure to take corrective action when the strategic plan implemented failed to meet the intended outcome though it was identified that the company provide adequate financial and technology facility resource. It is recommended that top management commitment and the human resource capability to the strategy formulation and implementation process, effective leadership to drive the implementation process, employee commitment to the strategy process, rewards and incentives to encourage employees to contribute their best to the implementation process. Furthermore, there should be strategic evaluation process by setting key performance indicators and corrective action must be taken when there is a deviation between the planned objectives and goals and the actual performance*

*Key Words: Strategy, Strategy Formulation, Execution, Evaluation, and Resource*

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

“Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives” (David, 1989). The literature reveals that since the emergence of strategy as recognized in the field of management, industrial organizations strategies have relied a single framework (strength, weakness, opportunity threats) to structure their research. Hence, many have emphasized the external portion of this framework, focusing on environmental determinants of firms’ performance,(Porter,1980, 1985).

On the other hand, others proposed a theoretical discussion of strategy management on resource based view of a firm,(Barney, 1991, Conner, 1991, Wernerfelt, 1984). Grant (2001) also suggested a general framework for strategy (re-) formulation, grounded on the resource-based view, as a model for empirical tests.

A firm can have different types of internal resources, which are valuable in running the organization to achieve its objective and sustain in the business. Hanqin& Zhang (2011) quoted Barney (1991) defined resources as “all assets,capabilities, organizational processes, firm attributes, information, knowledge, etc.controlled by the firm that enable the firm to conceive of and implement strategies.” The application of assessing internal resources of a firm in strategy formulation also stated in different perspectives.Tala, Brindusiu, &Ioncica, (2008) stated that the most important factors in competitiveness of the firms includes interaction abilities, learning organization, human resources, and information technology

Therefore, as a business entity manager/owner, strategic management responsibilities include establishing the overall direction of the unit, ongoing analysis of the changing business situation, selecting a competitive strategy and the specific tactics needed to carried out (strategic posture), and for most part managing and utilizing internal and external resources to achieve a sustainable competitive advantage is very crucial and demandable.

The purpose of this research was therefore, to assess and critically review how the business strategy is formulated and executed by MOHA Soft Drinks Industry S.C to sustain in the business and gain a competitive advantage over rivals.

## **1.2 The Company Profile**

MOHA Soft Drinks Industry S.C. has franchise agreement with Pepsi Cola Company in Ethiopia. It is one of the MIDROC corporate Companies. MOHA is an abbreviation of the name of the president of the MIDROC Company Mohammed Hussein Ali Amudin, which is further, abbreviated as Mohammed International Development Research and Operation Company. MOHA Soft Drinks Industry S.C was formed in accordance with the commercial code of Ethiopia following the acquisition of the seven plants which are Teklehaimanot plant, Nifas Silk Plant and Summit plant in Addis Ababa, and Gondar plant, Dessie, Bureand Hawassa plants located in outline. It is established in January 1996 with a total purchase price of Birr 111.8 million (USD 17.5 million) through a bid floated by the Ethiopian privatization agency.

The company is a sole producer of Pepsi cola product in the country under the franchise agreement with Pepsi Cola International (PCI). The soft drink products which the company currently produces are: -Pepsi Cola, Miranda Orange, Miranda Apple, Miranda Tonic and 7-up. It also produces KOOL mineral and Tossa carbonated waters.

### **Vision Statements**

MOHA's vision is "to make each of our Pepsi products to be drink of first choice among consumers and obtainable through the Ethiopian Market. We intend to create superior value for our shareholders, our customers and our employees" (MOHA 2015)

## **Mission Statement**

The mission statement of the company is stated as ‘’ To be the best beverage industry in the country. We will continuously improve our responsive to the need and concern of our customer, employees, partners and communities in which we serve. This will accomplish through the development of our employees, an emphasis on production efficiency, market expansion and profitability. We will expand our market areas to both protect and improve our position by placing emphasis on innovation and technological improvement to keep always a head of competitors’’

## **Core Values**

Customer Satisfaction, enhancement of positive corporate identity and image, ensure employee empowerment, be committed to social responsibility of quality and excellence in what we do and build a winning team.

## **1.3 Statement of the Problem**

The formulation of a sound strategy facilitates a number of actions and desired results through achieving the firm’s goals and objectives. In addition, organizations can excel with the competing environment through developing and formulating well-designed strategies. In general, the formulation of strategy forces organizations to examine the prospect of change in the foreseeable future and to prepare for change rather than to wait passively until market forces compels it. On the other hand, a firm without a clear strategic plan gives its decision makers no direction other than the maintenance of the status quo. In highly competitive markets, a firm without a coherent strategy is likely to be outmaneuvered by its rivals and face declining market share or even declining sales. Hence, a body of research regards the ability to formulate and implement a formulated strategy as an equally important source of competitive advantage.

Keeping the fact of consumer preference, the rate of change in both internal and external environments of beverages industry is increasing, which necessitates that increased attention be paid to strategic planning and strategy formulation of the existing companies.

Organizations can use different approaches to formulate and execute their strategies as indicated by the literature reviews. Over the years a large number of concepts and techniques have been proposed on how organizations should develop and implement a suitable strategy. Some of these concepts and techniques concentrate on matching an organization's resources and skills with the opportunities and risks created by its external environment (Buzzell, and Bradley, 1987; Porter, 1985). On the other hand resource based strategies allows firms to deeply identify its resources and develop strategies in accordance. As Grant (1991) stated most research into strategic implications of the firm's internal environment has been concerned issues of strategy formulation and implementation and analysis of the organizational process through which strategies emerge.

Despite the neglect by academicians and consultants more challenges are experienced in practice in the course of strategy implementation. In their research, Bartlett and Ghoshal (1987) found that in all the companies they studied "the issue was not a poor understanding of environmental forces or inappropriate strategic intent. Without exception, they knew what they had to do; their difficulties lay in how to achieve the necessary changes'. Strikingly, organizations fail to implement about 70 per cent of their new strategies, (Miller, 2002).

Nowadays, in Ethiopia, the competition on the overall beverage industries is growing through developing different products and tackling business strategies on the target market. Therefore, the soft drinks company should be alert enough to compete with the current market in managing their internal and external resources. Therefore, with the existing beverage industry specifically, the soft drinks, being an opportunity seeker require managing the overall activities of the company internal and external resource and formulate and implement a sound strategy.

In the case of MOHA Soft Drinks Industry S.Co.it is observed that though it runsthe business/with highly competitive and dynamic environment specifically to the beverage industry, it lacks sound strategic plan design and the process of developing and implementing the strategic plan is not satisfactory for the success of achieving the company objectives and goals.

According to Azeb,(2013), it is identified that larger percentage of the employees does not understand MOHA soft Drinks Industry strategic goal and objectives.

Therefore, this study sought to find out the practices of strategy formulation and implementation at MOHA Soft Drinks Industry S.C with specific to the Head Office.

## **1.4 Research Questions**

The research attempted to answer the following research questions.

- i. How MOHA formulate its strategic plan?
- ii. How the company executes its strategic planning?
- iii. What are the existing practices to evaluate strategies effectiveness?
- iv. What are the existing strategies practiced by MOHA with respect to the Company's Resources?
- v. What are the challenges during the formulation and implementation of strategies?

## **1.5 Objectives of the Study**

### **1.5.1 General Objective**

The general objective of the study was to assess formulation and execution of strategic planofMOHA Soft Drinks Industry S.C

## **1.5.2 Specific Objectives**

The study is carried out to achieve the following specific objectives.

- i. To assess the practices in formulating Strategic Plan of MOHA.
- ii. To examine the practices in implementing of Strategic Plan?
- iii. To identify the practices to evaluate strategies effectiveness.
- iv. To assess the existing practice of managing Internal Resource to effective formulation and implementation of strategic plan.
- v. To identify the challenges in the formulation and execution of the strategic plan.

## **1.6 Significance of the Study**

Strategic planning is one of the widely used management tool, which helps organizations to measure their performance in the dynamic environment and sustain in the business.

This particular study assessed the practices of strategies formulation and implementation to gain a competitive advantage in one of the beverage company MOHA Soft Drinks Industry S.Co. that will give a practical importance for those who involved in the formulation and implementation of the company strategy by suggesting the application and trends of how the strategies are formulated and resources are utilized. Furthermore, it assists in the development of strategic design that would be more beneficial to identify competitors or competitive advantages.

## **1.7 Delimitation/Scope of the Study**

In today's globalization age, competitiveness emerges in every sector of business activities. Strategy formulation and implementation process demands managing the firm's internal and external resource and should be constructed and addressed for all top, middle and operational level management in every organization. This study bounded to assess the formulation and execution of strategic plan practiced in MOHA Soft Drinks Industry S.C. Further, this study was also specifically limited at the Head Office due to time and financial constraints and did not assessed the corporate soft drink plants found in Addis and outline Branches.



## **1.8 Organization of the Study**

The research paper has five consecutive sections that can enable the reader to understand the general essence of the study. The first Chapter has general background of the study, statement of the problem, research questions, definition of conceptual terms, and significance of the study. Finally, the researcher winded ups this section by explaining the scope or the boundary or scope that the study covered during the research process.

Chapter two was believed that the most important part of the study and all the literature relevant to the study discussed thoroughly.

Under chapter three, the researcher described the type and design of the research; the subjects/participant of the study; the sources of data; the data collection tools/instruments that were employed; the procedures that were going to be employed in the data collection stage and finally the methods that were used for data analysis.

In Chapter four summarized the results/findings of the study and interpret and discuss the findings. While doing so, the researchers used the literature review that was discussed in earlier in detail chapter two.

The last one Chapter five has its own for sub sections namely summary of findings, conclusions, and recommendations.

## **CHAPTER TWO: RELATED LITERATURE REVIEW**

This chapter deals with the related literature reviews concerned with the strategic plan formulation and implementation process. Strategic Management concept, the formulation, implementation and evaluation phases, and major challenges in the process were reviewed. Further, empirical researches conducted by previous researchers on the effects of strategic plan on firm's performance was assessed and presented.

### **2.1 Strategic Management Concept**

“Strategic management is the process of examining both present and future environments, formulating the organization's objectives, and making, implementing, and controlling decisions focused on achieving these objectives in the present and future environments”, (Garry, Danny & Bizzell).

It is stated that from 1960s through the mid-1980, strategic planning often emphasized a top down approach to goal setting and planning that is senior executives have usually major responsibilities in formulation and execution of this strategic plan. Therefore, Managers and employees throughout their organization felt alienated and lost their commitment to the organization success, (Collings and Synthia 1997).

Today's, however, senior executives increasingly are involving line managers and employees throughout the organization in the strategy formulation process. The rapidly changing environment have forced managers to look to all level of the organization in order to achieve adequate information, ideas and innovation so as to make the companies more competitive.

Therefore, a new term for the strategic planning process has emerged as strategic management. According to Collings and Synthia, (1997) strategic management involves managers from all parts of the organization in the formulation and execution of strategic goals and strategies. It integrates strategic planning and management into a single process.

On the other hand, Barney and Hesterly (2010) connected the term strategy with competitors or its value is more inclined with how to excel from others. They stated that “a firm’s strategy is defined as its theory about how to gain a competitive advantage and a good strategy is a strategy that actually generates a competitive advantage”.

According to Phillips (1996) the value and importance of strategy is not demandable in any business sectors, “whatever the business sector might be, understanding the strategic management process is important to achieving performance”. Consequently, Pimtong , Q. and H. Qu (2011) cited Chathoth and Olsen,(2000) stated that the major goals of business managers is achieving superior performance and former researches has shown strategy formulation and implementation to be key factors in accomplishing this goal.

However, the importance of strategy is stated as it might be one of the most misunderstood business concepts, and it's essential for employees at all levels of the organization to understand what strategy is and how it affects their job. Regardless of the position in an organization, a company's strategy is a critical element of a job, Enz (2011).

The strategic management process is made up of three main components: strategyformulation, strategy implementation and strategy evaluation. Further it means drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives (Mohamed et al., 2010).

According to Enzi,(2011) engaging in the strategy formulation process involves proactive analysis and learning about the competitive environment and internal operation. Establishing a strategic direction, create strategies that are intended to move the firm in that direction. In the formulation phase the process begins with, specifying the organization's mission, vision and objectives, developing policies and plans, analysis of firm's organizational strengths, weaknesses, opportunities, and threats (known as SWOT analysis).

**Table 2.1 Clarification on how to perform SWOT analysis**

	<b>Opportunities</b> (external, positive)	<b>Threats</b> (external, negative)
<b>Strengths</b> (internal, positive)	<p><b>Strength-Opportunity strategies</b></p> <p>Which of the company's strengths can be used to maximize the opportunities you identified?</p>	<p><b>Strength-Threats strategies</b></p> <p>How can you use the company's strengths to minimize the threats you identified?</p>
<b>Weaknesses</b> (internal, negative)	<p><b>Weakness-Opportunity strategies</b></p> <p>What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?</p>	<p><b>Weakness-Threats strategies</b></p> <p>How can you minimize the company's weaknesses to avoid the threats you identified?</p>

Source: <http://articles.bplans.com/how-to-perform-swot-analysis/>

Strengths are resources and capabilities that can lead to a competitive advantage, like a great location or extraordinary service delivery. Weaknesses are resources and capabilities that a firm does not possess, and their absence puts the company at a disadvantage. Opportunities are positive conditions in the broad and operating environments, such as favorable tax incentives. Threats are conditions in the broad and operating environments that may stand in the way of competitiveness such as a shift in consumer preferences.

On the other hand, it is stated that the strategy-implementing/strategy-executing task is easily the most complicated and time-consuming part of strategic management, (Thompson & Strickland, 2003). Schaap citing (Kluyver& Pearce, 2003) stated also that, strategy formulation is primarily an intellectual and creative act involving analysis and synthesis. Implementation is a hands-on operation and action-oriented human behavioral activity that calls for executive leadership and key managerial skills. The strategy-implementing/ strategy-executing task is easily the most complicated and time-consuming part of strategic and frequently requires a focus on effecting strategic change.

## **2.2 Strategy Formulation**

It is clear that a poor or vague strategy can limit implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort (Hrebiniak, 2006). Several studies mentioned the fact that the kind of strategy that is developed (Alexander, 1985; Allio, 2005) and the actual process of strategy formulation, namely, how a strategy is developed (Kim & Mauborgne, 1991, 1993; Singh, 1998) will influence the effect of implementation.

According to David (2005), strategy formulation includes the process of developing a vision and mission, identifying environment analysis for an organization, establishing objectives, generating alternative strategies, and choosing particular strategies to pursue accomplishment. Knowledge strategy formulation describes the way and actions to achieve objectives.

Alexander (1985) believes that the need to start with a formulated strategy that involves a good idea or concept is mentioned most often in helping promote successful implementation. The value of the formulation stage stated as, good implementation naturally starts with good strategic input: the soup is only as good as the ingredients, (Allio, 2005).

According to Olsen and Roper (1998) it is also noted that engaging in the strategy-development process involves proactive analysis and learning about competitive environment and internal operation. By establishing a strategic direction, creating strategies that are intended to move the firm in that direction, and implementing those strategies is the major efforts to satisfy key stakeholders.

How the formulation begins will be the first question in strategy management. Enz (2011) focuses on the firm's internal resource and stated that in the beginning stage of strategy formulation, assessing the internal resources and capabilities takes the first role. Both tangible resources (such as the physical property or financial assets) and intangible resources (such as brand or organizational culture, human element, innovation, and reputation resources) has to be

deployed and focus must be given to organizations can do and its competitors can't or competitors lack. Further he noted that a single resource is not sufficient for formulating the strategy rather lists of resources must be developed that together create a competitive advantage.

### **2.3 Strategy Execution/Implementation**

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult (Hrebiniak, 2006).

It is also noted that the field of strategy implementation is considered to be less “glamorous” as a subject area, and that researchers often underestimate the difficulties involved in investigating such a topic – especially as it is thought to be fundamentally lacking in conceptual models (Alexander, 1985;). More “practical” problems associated with the process of strategy implementation, meanwhile, include communication difficulties and “low” middle management skill levels (Alexander, 1985)

Li, Guohui, and J. Eppler (2008) cited different scholars and stated that there is no universally accepted definition of strategy implementation. However, they could able to identify three distinct conceptions of the term as Process, Behavior and Hybrid approaches as presented below.

#### **Process Perspective**

In process perspective Lehner,(2004) stated that strategy implementation may be viewed as a process inducing various forms of organizational learning, because both environmental threats and strategic responses are a prime trigger for organizational learning processes. With regard to time consuming it is also noted that implementation is a process that takes longer than formulation (Hrebiniak, 2006). Harrington (2006) noted also that strategy implementation is an iterative process of implementing strategies, policies, programs and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment.

## **Behavioral Perspective**

Grinyer and Spender (1979) cited in Wernham (1985) noted that implementation is a series of decisions and resultant actions that commit resources to achieving intended outcomes. Further, Hrebiniak and Joyce (1984) cited in noble (1999b) stated that implementation is a series of interventions concerning organizational structures, key personnel actions, and control systems designed to control performance with respect to desired ends. The involvement of management is also noted as “implementation designates the managerial interventions that align organizational action with strategic intention Floyd & Wooldridge (1992a) cited in noble (1999b).

## **Hybrid Perspective**

In hybrid perspective Galbraith and Kazanjian (1988) cited in Sashittal&Wilemon (1996) stated that plans, strategies, technologies, or programs are markedly new to the firm, implementation appears to involve organizational design reconfiguration - i.e., a redesign of structure, systems, process, people, and rewards. On the other hand in other instances, implementation is viewed as an action-oriented process that requires administration and control. Govindarajan (1988) cited in Sashittal&Wilemon (1996).

As indicated above, scholars on behavioral approach of implementation strategy is more focused on the actions to be taken in managing the resources to get the intended outcomes

According to Li, et al (2008), executors are comprised of top management, middle management, lower management and non-management staffs of an organization. They cited Nobles (1999a) and stated that implementation process can go with the following stages.

Table 2.2 Strategy Implementation Frameworks

	<b>Stages</b>			
<b>Livers</b>	<b>Pre-Implementation</b>	<b>Organizing the Implementation Effort</b>	<b>Managing the Implementation Process</b>	<b>Maximizing Cross-functional Performance</b>
<b>Goals</b>	Ensure that all managers are aware of the strategic goals of the firm	Introduce goals of the strategy being implemented, incl. fit within firm's broader strategic vision	Maintain the flexibility to adapt goals based on environmental changes	Develop and focus on common goals to encourage cross-functional cohesiveness
<b>Organizational structure</b>	Ensure that functional areas have the slack resources needed to be able to contribute to an implementation effort	Establish a formal implementation unit and ensure its visibility throughout the firm	Ensure equal representation by all affected functional areas	Temporarily suspend key implementation team members normal responsibilities to allow them to focus on the implementation effort
<b>Leadership</b>	Develop employees knowledge and appreciation of multiple functional areas	Establish a "champion" who has both official cross-functional authority and general respect in the firm	Ensure that leaders show equal attention to all functional-level concerns	Balance visible and charismatic leadership with a maintenance of autonomy for functional-level implementation efforts
<b>Communications</b>	Maintain regular cross-functional communication	Discuss and resolve implementation	Update implementation	Communicate implementation

Noble, C.H. (1999a). Building the Strategy Implementation Network. Business Horizons, 19-27



On the other hand, most research into strategic implications of the firm's internal environment has been concerned issues of strategy implementation and analysis of the organizational process through which strategies emerge. However, the link between strategy and firms resources and skills has suffered comparative neglect, (Grant, 1991).

## **2.4. Strategy Evaluation Process**

Evaluation and control mechanisms are set in place to inform every stage of the strategic management process. They are a means of collecting whatever information that may needed to compare plans against actual events, to ensure that things are working well, and to anticipate, or correct, any faults or weaknesses in the system. Effective evaluation and control can tell what a company is doing well and what it is not. This may sound good in theory, but it is not exactly pleasant in the workplace.

## **2.5. Challenges of StrategyFormulation and Implementation**

All companies are involved in planning, but they differ greatly in the extent to which they are implementing the plans, grow gradually as the environment changes, and use planning tools. Though, the definition of planning varies from one company to another, it is thus unclear whether the definition adopted by a particular company at a given moment in a given context, agrees or disagrees with the theoretical definition of the elements of strategic planning, (Walter, 2011).

According to Reed and Buckley (1988) problems associated with strategy implementation identifying four key areas for discussion. First, the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. Second, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary. Thirdly, when management style is not appropriate for the strategy being implemented, they cite the example of the “entrepreneurial risk taker may be an

ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment”. Finally they mentioned goal setting and controls are also recognized as problematic, identifying co-ordinate targets at various levels in the organization is difficult and the need for control is heightened as uncertainty and change provide a volatile environment.

On the other hand, with regard to challenges in participation of organizational members in strategic planning process, Walter (2011) stated that effective planning depends on the involvement and participation of all actors involved in the life of the organization, including officers, employees, shareholders, customers and potential strategic partners to identify priorities for the organization, its strengths and weaknesses, and to avoid prejudicing a sector for the benefit of another, and avoid conflicts. However, strategic planning is still too often the result of a small group of people and the needs in terms of financial resources, technical, appropriate architecture, procurement, human resources, information, management of the organization and business priorities are defined only by this group, (Walter, 2011).

Further it is also stated that planning doesn't include a number of factors (the real needs of consumers, potential, capacity for innovation and creation of employed staff, workers' interests), lacks objectivity and remains focused on expectations of some individuals in the organization, (Walter, 2011).

Moreover, there is a failure of leaders to formulate and implement the strategy. To be effective, must involve strategic planning and leadership skills planning and managing the overall process of strategic change, Ansoff (1965).

Other challenge in the process of strategic planning and formulation is lack of constant revision of plans and re-issues of new strategies. According to Walter, (2011) ituseless whenever the historical dynamics of an organization leads where it wants to go, or the targets are proving inadequate if there is a lack of constant revision and evaluation process. These revisions are necessary to ensure the flexibility of the process. Strategic planning therefore requires constant attention no matter the company's situation (crisis or win-win situation), i.e. time and energy. However, in practice, firms tend to relax their attention, or devote the energy needed by planning to other activities under the conditions of the firm,

## **2.6 Theory in Strategic Management**

### **2.6.1 Resource Based View of Strategies**

The resource based perspective rests on two major theories; TGF; “The Theory of the Growth of the Firm”, (Penrose 1959) and RBV; “The Resource Based View” (Wernerfelt, 1985 and Barney, 1991). Compared to theories of market based strategies, these theories are seen as focusing internal strengths and weakness in organizational resources, showing how processes are managed and how the resources are allocated and deployed, all in order to obtain a sustainable or sustained competitive advantage. To obtain competitive advantage, resources have to be strategic and, according to Barney, valuable, rare, inimitable, immobile and in some contexts not even tradable. The resource-based perspective in a contemporary view also include company elements such as structure, control system and compensation policies in order to fully ensure proper resource exploitation (Barney, 1997).

### **2.6.2 The Profit-Maximizing and Competition-based Theory**

According to Porter (1981) it was based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place. The industrial-organization (I/O) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry.

### **2.6.3 Agency and Human Resource-based Theories**

The agency theory stresses the underlying important relationship between the shareholders or owners and the agents or managers in ensuring the success of the organizations. On the other hand the human resource-based theory, which emphasizes the importance of the human element in the strategy development of organizations.(Raduan,Jegak, ,Haslinda, Alimin, I.I, 2009).

#### **2.6.4.The Contingency Theory**

The contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. During the process of strategy formulation, implementation and evaluation, these main strategic management theories will be applicable to management of organization as tools to assist them in making strategic and guided managerial decision. (Raduan, etal,2009).

#### **2.7Empirical Research**

Different researchers conducted an empirical study in connection with the usage of strategic planning and its relations against organizational performance. The usage of strategic planning is demonstrated as advantageous to firms and shows a positive relation with firms overall performance. As noted on the researches, Perry (2001) conducted a study in United States and found positive relationship between planning and firms performance. Further, Stewart (2002) conducted a study in Atlanta Metropolitan Statistical Area (MSA) and found that those businesses that practice formal business planning techniques were more successful than those businesses which were not employing those techniques. Wang et al. (2006) also with a total of 486 usable returned questionnaires in Western Australia conducted a study and reported that operators in business to achieve financial goals were more likely to engage in strategic planning.

On the other hand considering core measurements in the process of strategic planning and firms performance, Hitt, Bierman, Shimizu and Kochhar (2001) conducted a study with a sample drawn from the list of 100 largest firms in the United States with final sample of 252 observations which included data of 93 firms, they reported that human capital moderates the relationship between strategy and firm performance, leveraging of human capital showed a positive effect on performance.

Arasa and K'Obonyo (2012) also conducted a study in Kenya and reported in their findings that the correlation analysis results indicate the existence of a strong relationship between strategic planning and firm performance. Further, all the strategic planning steps (defining firm's corporate purpose, scanning of business environment, identification of firm's strategic issues, strategy choice and setting up of implementation, evaluation and control systems) were found positively related to company performance.

Karabulut and Efendioglu (2010) in their study with 71 returned responses in Turkey purported that while observing the impact of different components/activities in a strategic planning process and their impact on company performance, "involvement of top management in the process" and "having a mission statement" define the importance of the process in the organization and had significant impacts on the profitability of the firms in their study.

On the other hand, according to Muhammad, Muhammad K. A (2014) cited different sources stated as Sharader et al., (1984) found no systematic relationship between formal strategic planning and financial performance. Unni (1981), Robinson and Pearce, (1983), Sharader et al., (1989), Birley and Westhead (1990) and Covin (1991) found relationships that were small or insignificant (Fletcher et al., 2002). Furthermore, Dincer, Tatoglu, Glaister, Demirbag and Zaim (2006) in a study conducted in Turkey found that there is a strong negative relationship between formal strategic planning and firm performance.

However, overall the literature analysis tends to support a positive relationship between strategic planning and performance. 79 % of the studies in analysis identified a positive relationship, which tends to suggest that there is broad support for the performance impact of strategic planning (Kraus, Harms and Schwarz, 2006).

## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

### **3.1 Research Design**

To meet the objectives of the research, descriptive types of study was applied by employing qualitative instruments for data collection and analysis. The descriptive research aims to present a complete description of a subject within its context. This research approach answers the questions: what, who, where, when and how. Descriptive researches are often used when an amount of knowledge about the subject already exists; this knowledge can then be used to categorize into models and frameworks, (Kerlinger, 1986)

It was primary used to understand the strategic plan development process, the staff level of participation in the strategy development, and the views of the employees on allocation of resources for the strategy implementation and its execution process, human resource base, the leadership experience and educational background, access to financial resources. Moreover, it was used to analyze the relative effectiveness of the strategies being pursuit by MOHA.

### **3.2. Study population and sampling frame**

The study is focused on the analysis of the strategic plan development process, the content of the strategic plan, and the execution and effectiveness of MOHA soft drinks S.C. In view of the fact that the strategic plan development process is led by the Head Office located in Addis Ababa, the study focused on the employees of the organization at Head office. Here, the researcher has recognized as the employees in the different outlets of the company in Addis Ababa as well as in other parts of the country (Ethiopia) are the integral members of the company and needs to be accounted in defining the population of the study. Yet, due to financial and time constraint, the study population is limited to the Head Office staff of MOHA. The company has 54 staffs at its Head office. Out of these 16 have managerial and supervisory role, 28 are skilled senior staffs without supervisory role and 10 are non-professional and non-skilled staffs.

### **3.3 Sampling Techniques and Size**

In light of the above, all members of the company Head Office staffs who assume managerial and supervisory role were included in the study. Likewise, all employees who are assumed involved in the formulation and execution of the strategic plan but do not have supervisory role also included in the study as respondents. This means complete enumeration of the employees undertaken on the research. The small number of the staff and the manageability of the data both in terms of cost and financial resources justify this.

Nevertheless, in the selection of key informants a Senior Management Staffs from planning department were interviewed following a purposive sampling technique. The need to apply purposive sampling technique in the selection of key informants is necessitated by the fact that it is those people who are involved in the formulation and execution of the strategy and who are involved in the execution process that could have and give the required data.

### **3.4 Source of Data**

The study primarily used primary data. The sources of the primary data were the employees of MOHA and the strategic plan of MOHA. The rationale for this results from the purpose of the study and the nature of the data that needs to be collected.

On top of this, strategic plans of the MOHA, websites and advertisement documents were used as a source of document for the study. Related literatures on the subject of the study also consulted.

### **3.5 Method of Data Collection**

A structured questionnaire and semi structured interview guide was used to collect data from the primary sources of data, involving both closed and open ended questions. The structured questionnaire included questions on strategic planning process, staff participation in the design of the plan, the plan execution, facilitative and enabling factors for the successful execution of the plan, and strategic evaluation process. The interview handled by the researcher while the questionnaire was self-administered

The purpose of the study, its objectives and scope was clarified to the potential participants of the study. Consents of the potential respondents have also requested before administering the questionnaire.

### **3.6 Data Processing and Analysis**

The data analysis mainly focused on the analysis of the development process of the plan, content of the strategic plan, the allocation of resources for the successful implementation of the plans, the knowledge and participation of the staff about the plan, and evaluation mechanisms.

Frequency analysis as a measure of central tendency was used on the five level likert scale in the analysis of all the above mentioned contents and the profile of the respondents, the human resource base of the company, and opinions of the employees using categorical responses.

### **3.7 Ethical Consideration**

In the process of data collection due care were taken to make the study ethically sound. All data used in the study were collected from the respondents, presented, analyzed and interpreted. Since the topic under the research required company confidential, proper guidance and confirmation was given to the company.



## CHAPTER FOUR: RESULTS AND DISCUSSIONS

This chapter deals with the data analysis results and discussion. A questionnaire was distributed to 54 employees of the company who are conversant in the strategy formulation and execution process to achieve the research objectives and answer the research questions. According to Dempsey (2003), the sample size of 50% is appropriate for generalization of the gathered findings in descriptive research. Hence, out of 54 total employees, 44 respondents were filled and returned questionnaire, which demonstrates 81% respondents. Furthermore, in-depth information through primary data was gathered from top management, senior members of staff at MOHA Soft Drinks Industry S.C. Additionally, self-administered interviews conducted with Corporate Planning Department Director and Senior Planning Analyst who are conversant with the issue of strategy formulation and implementation at MOHA Soft Drinks Industry S.Co. By using SPSS Soft ware frequency descriptive statistics analysis was made to come across the findings of the research questions.

As per indicated in Table 4.1 below demographic results of the respondents, 70 % of respondents have age of 25-35, 16 % 35-44, and the rest each 7% falls in age of 45-54 and above 55. This shows the company has very young and energetic employees who can contribute in the formulation and implementation of the strategic plan for the company success. With regard to sex composition the female showed 52% whereas there 48% are male which qualifies equal employment opportunity in gender conditions. The educational background of the respondents showed that 59% of the respondents have a BSC/BA degree, 29 % have a college diploma and 14 % have a Master's degree. Overall in assessing the human capital of an organization, educational background of the respondents indicated that they have a capacity in the contribution of the company success since trained and an educated employee is a key in this endeavor if properly managed. With regard to position in the organization, 16 % of the respondents were from top-level management who has a direct role in the formulation, implementation and evaluation process of the company strategic plan. The other 84% have senior staff positions, which include supervisory levels and also have a great contribution in the process of strategic plan of the company.

## 4.1. Respondents Demographic Characteristics

Table 4.1 Demographic Characteristics of Respondents

	<b>Frequency</b>	<b>Percent (%)</b>
<b>Age</b>		
25-34	31	70
35-44	7	16
45-54	3	7
55 and above	3	7
<b>Total</b>	<b>44</b>	<b>100</b>
<b>Position</b>		
Top Management	7	16
Senior Staff	37	84
<b>Total</b>	<b>44</b>	<b>100</b>
<b>Educational Background</b>		
College Diploma	12	27
BA/BSC	26	59
Masters Degree	6	14
<b>Total</b>	<b>44</b>	<b>100.0</b>
<b>Gender</b>		
Male	21	48
Female	23	52
<b>Total</b>	<b>44</b>	<b>100.0</b>

## 4.3. Strategy Formulation Process

In strategic planning formulation process every successful model must include vision and mission, environmental analysis, setting objectives and strategic analysis choice. And it is also noted that identification of the institutions vision and mission is the first step of any strategic planning process i.e. one asks what and how the business is conducted (Thompson, 1989).

Table 4.3.1 Articulation of Vision, Mission and Value statements

Statements	Level of Agreement	Frequency	Percent (%)
The company articulates Vision mission and value statement	Strongly agree	27	61.36
	Agree	17	38.64
	Moderately agree	0	0
	Disagree	0	0
	Strongly disagree	0	0
	<b>Total</b>	<b>44</b>	<b>100.00</b>
Vision, mission and value statements are shared among employees	Strongly agree	3	6.82
	Agree	14	31.82
	Disagree	27	61.36
	Moderately agree	0	0
	Disagree	0	0
	Strongly Disagree	0	0
<b>Total</b>	<b>44</b>	<b>100.00</b>	
The vision, mission and value statements are compatible with the company activities being carried on.	Strongly agree	10	22.73
	Agree	20	45.45
	Moderately agree	4	9.09
	Disagree	10	22.73
	Strongly disagree	0	0
	<b>Total</b>	<b>44</b>	<b>100</b>

Source: Respondents Questionnaire Data

As indicated on the above table, 38.64 % agreed and 61.36 % strongly agreed that MOHA articulates Vision, Mission and Value statements in the process of strategic plan formulation. It is also identified on the document review of the strategic plan of the company the Vision, Mission and Value statements of the organization is clearly defined. This implies as stated on the literature reviews, it could acknowledge the basic core elements in strategy planning process.

With regard to sharing the vision, mission and value statements, the majority of respondents that scored 61.36% disagreed that it is not shared among employees, whereas 31.82% and 6.82 % agreed and strongly agreed respectively on the issue. On the former result all of the respondents agreed that MOHA has articulated the statements and from the respondents result the researcher

believed most of employees are aware the company has a vision, mission and value statements only without purpose. However, these results revealed that the company do not share these core and fundamental set of strategic management elements that are widely shared in the organization to elaborately describe why the company exists, its future condition and guiding principles of what is important for the success of the organization.

A strategy represents management’s answers to how to achieve objectives and how to pursue the organization business mission and strategic vision. Furthermore, it is action oriented and it concerns what to do and when to do it. (Thompson, Strickland, 2004). As indicated on the above table, the majority 67% relatively agreed that the company could able to carry out activities expected to achieve the vision, mission and value statements. On the other hand 22 % disagreed on the issues. However, on the document review of the strategic plan, the statements gave special attention to stalk holders and customers, market expansion, and employees. But, the strategic plan lacks the human resource element and marketing activities.

Table 4.3.2: Internal and External Environmental Analysis practice

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
The Company has conducted adequate internal and external environmental analysis	Strongly agree	7	15.91
	Agree	25	56.82
	Moderately Agree	2	4.55
	Disagree	10	22.73
	Strongly Disagree	0	0
	Total	44	100

Source: Respondents Questionnaire Data

Strategy formulation involves three steps which are: performing a situation analysis, self-evaluation and competitor analysis: internal and external; micro-environmental and macro-environmental analysis. As indicated on the above table, 22.73 % disagreed, while the majority of respondents 56% agreed and 15.91 % are strongly agreed that MOHA conducted adequate internal and external environmental analysis.

Table 4.3.3: SWOT analysis practice

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
The Company has conducted SWOT analysis while developing its strategic plan	Strongly agree	16	36.36
	Agree	26	59.09
	Moderately agree	0	0
	Disagree	2	4.55
	Strongly disagree	0	0
<b>Total</b>		<b>44</b>	<b>100.0</b>

Source: Respondents Questionnaire Data

As per the respondents data presented on the above table 59% agreed and 36.36 % strongly agreed that MOHA has conducted SWOT analysis in the process of developing its strategic plan. This shows that most employees are aware that the SWOT analysis is employed during the strategic plan formulation. According to Radha (1995) if SWOT- Strength, Weakness, Opportunity, and Threats analysis is correctly applied; it is possible for an organization to get an overall image of its present condition with related to its surrounding, rivals and the industry itself. However, as per the strategic plan document reviewed, researcher found that there is no adequate internal and external environmental analysis on SWOT. MOHA is one of the biggest and sole brand soft drink industry company in the country and competes with the other Soft drinks industries like Coca Cola. Therefore, its strength in terms of skill or important expertise, valuable organizational assets, competitive capabilities is not well seen. Furthermore, with regard to threats, the emergency of cheaper or better technology, rival introduction of new or improved products, promotion and market segmentation, interest rate and adverse change in foreign currency since the company uses most of the raw materials for the soft drinks imported from abroad, all this did not well synthesized. On the short term annual plan, the SWOT analysis was put as duplicated without making any environmental scanning as back reviewed for three years

Table 4.3.4 Learning of dynamic and competitive environment

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
The Top Management analyzes and learns today's dynamic and competitive environment and the company's internal operation	Strongly agree	3	6.82
	Agree	3	6.82
	Moderately agree	20	45.45
	Disagree	18	40.91
	Strongly Disagree	0	0
<b>Total</b>		<b>44</b>	<b>100</b>

Source: Respondents Questionnaire Data

Situation analysis is very crucial for a company in today's competitive/dynamic business environment and organizations should be alert enough in assessing the surrounding rivals and the industry as well. Internal operations information obtained from report on budget, financial ratios, profits and loss statements, survey of employee's attitude and satisfaction towards their job, benefits and packages, contribute significant input for the top management in situation analysis. Furthermore, stakeholders, government reports, professional journals suppliers, consultants, international organizations or association meetings can also bears important information for management to learn the external environment. As the above table indicates, 40.91% disagreed that top management analyzes and learns today's dynamic and competitive environment and the company's internal operation. While, 45.5% moderately agreed, 6.82% strongly agreed on the issue. This shows the management should work more on the internal operation and the external environment to learn the today's dynamic working environment in strategic plan formulation

Table 4.3.5 Objective establishment practices

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
The Company has established objectives that are easy to understand for all employees	Strongly Agree	20	45.45
	Agree	16	36.36
	Moderately Agree	0	0
	Disagree	8	18.18
	Strongly Disagree	0	0
<b>Total</b>		<b>44</b>	<b>100.00</b>

Source: Respondents Questionnaire Data

In order to achieve organizational mission, objectives should be SMART (specific, measurable, attainable, realistic and time bound). A well-developed objective helps to maintain focus and viewpoint, establish priority, lead to greater satisfaction, and improve employee performance. As shown in the above table, with respect to objectives, the majority of respondents 45.45 % strongly agreed and 36.6 % agreed that objectives are well written and understood. 18.8% only disagreed on the issue. This implies if proper action be taken in the implementation, evaluation and monitoring system, the company will be successful in achieving the intended outcomes.

#### 4.4 Strategy Implementation

As Schaap citing (Kluyver & Pearce, 2003) stated, it is a hands-on operation and action-oriented human behavioral activity that calls for executive leadership and key managerial skills. The strategy-implementing/ strategy-executing task is easily the most complicated and time-consuming part of strategic and frequently requires a focus on effecting strategic change.

Table 4.4.1: Development and communication of Policy Manuals and Procedures.

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
The company developed and communicated a policy manual to its employees to support strategy execution.	Strongly agree	6	13.64
	Agree	18	40.91
	Moderately Agree	0	0
	Disagree	20	45.45
	Strongly Disagree	0	0
<b>Total</b>		<b>44</b>	<b>100</b>

Source: Respondents Questionnaire Data

The Human Resource is the core element with other departments in managing strategic plan of an organization since it involves developing policy and procedures, training and development of staffs, leadership and motivation of employees to meet the objective/goal of the company. Therefore, linking the human resource management with strategic planning has mutual benefits for each process. The above table shows 45%, the highest score, which respondents were disagreed that policies and procedures are not developed and communicated, while 40.91 % were agreed and only 13.64% were strongly agreed on the issues. This shows the company is not working on the Human Resource development for the effective implementation of strategic plan.

Table: 4.4.2 Availability of adequate resources.

Statements	Level of Agreement	Frequency	Percent (%)
Adequate Resources are available for implementing the strategic plan	Strongly agree	8	18.18
	Agree	20	45.45
	Moderately Agree	16	36.36
	Disagree	0	0
	Strongly Disagree	0	0
	<b>Total</b>		<b>44</b>

Source: Respondents Questionnaire Data

Allocating ample resource to strategy is one of critical activities and managerial components in the strategy implementing process. A company is positioned to succeed if it has a competitively valuable complement of resources at its command. The caliber of its resource and its ability to mobilize them in a manner calculated to result in competitive advantage are the biggest determinants of how well the company will to perform in strategic management. (Thompson, Strickland, 2004). As indicated in the above table, 36.36% were moderately agreed, 45.45% were agreed and 18.18 % were strongly agreed on efficient resource allocation by the company on strategic plan implementing.

Table 4.4.3 Motivation and Support of Employees

Statements	Level of Agreement	Frequency	Percent (%)
There are adequate motivation and support to employees during strategy implementation.	Strongly Agree	2	4.55
	Agree	4	9.09
	Moderately Agree	14	31.818
	Disagree	24	54.55
	Strongly Disagree	0	0
	<b>Total</b>		<b>44</b>

Source: Respondents Questionnaire Data

The Human capital is the basic element in an organization performance since an organization is nothing without its labour force and employees. Employees has to be motivated with different mechanizes in order to meet the organization goal and objectives. “Employees usually motivate themselves to reach their fantasized goals, in this respect, they compel the full energy and individuals mostly use their potentiality to redirect the organizational goals and move towards development” (Dominic, 2011). On the other hand, managers are expected to take into consideration the main role of motivating their staff. This way the



organization tries to establish its structural framework in a way that is capable of supporting the staff motivation. As a strategic management input a useful and appropriate motivation policy is required for the organization, in case it is willing to enjoy more interested and efficient staff (Lindner, 1998). The above table depicts that 54% of respondents are disagreed, while 31% are moderately agreed on the issue. This shows most of the employees are not motivated for the effective implementation of the company objectives and goals.

Table 4.4.4: Appropriateness of Organizational Structure

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
Organizational structure of the company is appropriate for the implementation of the strategic plan.	Strongly agree	6	14.29
	Agree	25	57.14
	Moderately agree	0	0
	Disagree	13	28.57
	Strongly disagree	0	0
<b>Total</b>		<b>44</b>	<b>100.00</b>

Source: Respondents Questionnaire Data

The relevant literature has advocated factors that influence the effective implementation of strategies, for example; organizational structure is one factor, which has its own role in the successful implementation of the strategic plan of an organization, (Drazin and Howard 1984). Furthermore, it is mentioned that structure of a firm influences the flow of information and the context and nature of interpersonal interaction within it. It also channels collaboration, prescribes means of communication and co-ordination as well as allocating power and responsibility (Mintzberg, 1987). As indicated on the above table, the majority of respondents, 57%, agreed that the structure of MOHA's is appropriate following 14.29 % who supported their agreement strongly. Only 28% were disagreed on the issue. This implies that the company has appropriate organizational structure, which enhances effective implementation in reporting and communication systems.

Table 4.4.5: Initiation and implementation of change

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
Top management takes the leading role in initiating and implementing change management	Strongly agree	6	13.64
	Agree	10	22.73
	Moderately Agree	12	27.27
	Disagree	16	36.36
	Strongly Disagree	0	0
<b>Total</b>		<b>44</b>	<b>100.00</b>

Source: Respondents Questionnaire Data

Managing change is one way of dealing with challenges in strategic plan implementation. As the environment is continually changing, it is necessary for strategic planning to continually change to maintain a “balance” or “fit” with the external environment (Procter, 1997). Employees sometimes resist change since they do not acquire the right information about why the change is takes place. In order to be effective in implementation of strategies, it requires the top management ability to develop conducive working environment to accept the change since all employees must take it as an opportunity rather than a threat. However, as indicated above, 36% of the respondents that is the highest score disagreed that the top management initiates and implement change in the overall activities of the implementation of the strategic plan, while 27.27% moderately agreed, and 22.73% and 13.64 % agreed and strongly agreed respectively on the issue.

Table 4.4.6: Capability of the Human Resource

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent(%)</b>
The Human Resource is capable in developing and maintaining organizational culture	Strongly Disagree	5	11.54
	Agree	12	26.92
	Moderately agree	14	30.77
	Disagree	14	30.77
	Strongly Disagree	0	0
<b>Total</b>		<b>44.00</b>	<b>100</b>

Source: Respondents Questionnaire Data

An organization policies, practice, traditions, philosophical beliefs and ways of doing things combine to create a distinctive culture. The stronger a company culture, the more that culture is likely to shape the company’s strategic actions and sometimes even dominates the choice of strategy moves. (Thompson 2004). A study by Ruth,(2013) recommends that top and middle level management must strive to preserve and build up on aspects of existing culture that support proposed new strategies. As indicated in the above table 11.54 % were strongly disagreed, 30 % disagreed, the rest 30% and 26.77% were moderately agreed. This shows that most of the respondents are not satisfactory that the company is capable of developing the organization culture. However, the researcher could able to note on the document review of the strategic plan of the company, developing organizational culture was one aspect of the strategic plan.

Table 4.4.7:Provision of adequate information communication facilities

<b>Statement</b>		<b>Frequency</b>	<b>Percent (%)</b>
The company provides adequate information communication technologies facilities to save time and cost of the workflow	Strongly Agree	18	40.91
	Agree	14	31.82
	Moderately agree	10	22.73
	Disagree	2	4.55
	Strongly Disagree	0	0
<b>Total</b>		<b>44</b>	<b>100.00</b>

Source: Respondents Questionnaire Data

As indicated on the above tables only 2% of respondents were disagreed on the provision of adequate information communication facilities while the majority 40% agreed that the company is providing the facilities. It was also noted on the document review of the strategic plan, MOHA is implementing ERP (Enterprise Resource Planning) working with Ethio Telecom, which is an advanced communication technologies especially in the manufacturing industry for effective utilization of resources.

## 4.5 Strategy Plan Evaluation Process

Table 4.5.1: Communication of assessment results

<b>Statement</b>		<b>Frequency</b>	<b>Percent</b>
Top Management communicates performance evaluation results to all employees	Strongly Agree	0	0
	Agree	12	27.27
	Moderately agree	14	31.82
	Disagree	18	40.91
	Strongly Disagree	0	0
<b>Total</b>		<b>44</b>	<b>100</b>

Source: Respondents Questionnaire Data

In Strategic plan evaluation process, the purpose is to determine whether the implemented strategies are successful and objectives are achieved as planned. Communicating the performance measurement system and assessment results between the management and employees will enhance this. Regarding this as indicated on the above table, the majority of respondents 40.91% were disagreed on communication of assessment results between the management and employees. While 31% and 27% were moderately agreed and agreed respectively.

Table 4.5.2 Development key performance indicators

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
MOHA has developed a set of key performance indicators to track the success of strategic objectives	Strongly Agree	0	0
	Agree	11	25
	Moderately agree	11	25
	Disagree	22	50
	Strongly Disagree	0	0
<b>Total</b>		<b>44</b>	<b>100</b>

Source: Respondents Questionnaire Data

Setting standards or key performance indicators enable an organization to measure or evaluate the actual performance and compare it with the standard. This is more helpful to analyze the reasons for significant deviations will occur and to take corrective action when performance does not fall within acceptable range. 50% (the majority) of respondents disagreed that MOHA has developed key performance indicators for strategic plan evaluation, the rest 25% both moderately agreed and agreed on the subject. This shows there is no key performance indicators developed in the strategic plan evaluation process.

Table 4.5.3 Identification and application of corrective action

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent (%)</b>
Top management succeeded in identifying corrective action when strategic objectives are not achieved	Strongly Agree	0	0
	Agree	0	0
	Moderately agree	31	71.43
	Disagree	13	28.57
	Strongly Disagree	0	0
	<b>Total</b>		<b>44</b>

Source: Respondents Questionnaire Data

In strategic plan evaluation process, correction action will be taken if as per the given standards performance will not occur within the standard range. The above table depicts that the majority 71% agreed on corrective action is managed when strategic objectives are not achieved, while 28% disagreed on the issue. However, it seems controversial with the previous respondents result that there is no key performance indicators since corrective action will be taken when the actual performance and intended performance can be measured as per the given standards. The researcher further reviewed on the strategic plan of the company; there is not evaluation and monitoring systems developed for the formulated strategic plan.

Table 4.5.4: Practice in development and revision of new strategies

<b>Statements</b>	<b>Level of Agreement</b>	<b>Frequency</b>	<b>Percent(%)</b>
Attention is paid to ditching, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the Management	Strongly agree	4	9.09
	Agree	14	31.82
	Moderately Agree	0	0
	Disagree	16	36.36
	Strongly disagree	10	22.73
<b>Total</b>		<b>44</b>	<b>100</b>

Source: Respondents Questionnaire Data

According to Poister (2003), integrating an organization's performance management system with the strategic plan process is vital since strategic planning requires good performance information while the creation of performance indicators depends on a clearly defined strategy for the organization. These will enhance adjusting or developing new strategies subsequent to evaluation of the initial strategies. Furthermore, it requires the Top Level management, middle level and employee's participation by giving more attention and regular evaluation a monitoring system. The above table shows that the majority 22.73% strongly disagreed and 36.6% disagreed that attention is paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the Middle and Top level Management.

## **5.Challenges in formulation and implementation of strategies**

The study showed that a major challenge in formulation and implementation of MOHA's strategy is basically linked with the company internal environment.

- The effect of involvement of firm members in the strategy process on successful strategy formulation and implementation is good performance at the organization. The Top management, middle level management and employees do not fully participate and add up their inputs transparently during the formulation of the strategic plan process. Walter (2011) stated that effective planning depends on the involvement and participation of all actors involved in the life of the organization, including officers, employees, shareholders, customers and potential strategic partners to identify priorities for the organization, its strengths and weaknesses, and to avoid prejudicing a sector for the benefit of another, and avoid conflicts
- Though MOHA's business depends on importing of raw materials (like concentrates) from abroad and this somehow demands utilization of foreign currency, it has adequate financing budgets. However, basically fail to execute the chosen strategy, lack of strategies design on the human resource and Finance, which is the most valuable, were mentioned.
- Though the Corporate Planning department with limited staffs has responsible for the long-term strategic planning process, the major top and middle level management like the Finance, Quality Control and Production, Marketing, MIS, Procurement Departments only receive the copy of the strategic plan. However, as stated by Walter (2011), strategic planning should not be the result of a small group of people and the needs in terms of financial resources, technical, appropriate architecture, procurement, human resources, information, management of the organization) and business priorities should not be defined only by this group.
- There is no a regular practice of strategic planning and performance evaluation through monitoring and evaluation methods.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary of findings**

As per the study conducted on strategic planning, implementation and evaluation process of MOHA Soft drinks Industry S, Co. the major findings were summarized in percentage as follows.

- 61.36% (the majority) were aware that the company articulates a vision, mission and value statements. However, it is identified that the vision, mission and value statements are not shared among employees.
- 56.82 %, which is the majority of respondents, agreed the company conducts adequate internal and external environmental analysis, SWOT analysis.
- 45.9 % (the majority) moderately agreed on that that the management analyzes and learns today's dynamic environment in competitor's analysis. Whereas 40.9 agreed that more has to be done on learning and analyzing today's dynamic business environment.
- 45.45% (the majority) agreed that policies, manuals and procedures are not well developed for the effective implementation of strategic plan of the company. Furthermore though organizational culture, value and beliefs is one of strategic management thinking and actions that condition how an organization does business and respond to external environment, 11.54% and the majority 30.77% disagreed that MOHA is capable of maintain organizational culture.
- 40.91% (the majority) responded that MOHA provide adequate information communication facilities for the smooth flow of activities and work flows.
- 40.91% (the majority) respondents disagreed on communication of assessment results between employees and the top management.
- With regard to development of key performance indicators for effective evaluation of the strategic plan, 50% (the majority) disagreed there are key performance indicators in the strategic plan evaluation process to measure the actual performance with the intended ones.



- 71.43% (the majority) moderately agreed that corrective action will be taken following strategic plan objectives and goals are not meet as planned. Whereas the rest totally disagreed on the issue.
- 36.36 (the majority) of respondents disagreed on attention is paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the Middle and Top level Management.
- Major challenges in the strategy formulation and implementation process presented on the open ended questions were mentioned as basically fail to execute the chosen strategy, lack strategies design on human resource system and Financial perspectives, lack of regular evaluation and monitoring systems, lack of participation of top management, middle level and senior staffs on the formulation of strategic plan.

## **5.2. Conclusion of the findings**

Overall from the findings of the study carried on assessing the long-term strategic plan of MOHA Soft Drinks Industry S.Co, MOHA articulates its vision, mission and value statements in accordance to the business it engaged with. However, in the formulation process of strategic plan, employees don't share its vision and MOHA failed to effectively communicate the basic element of the strategic plan.

Further, majority of the respondents were not participated in the strategic plan formulation and did not have an input on the formulation process. As per the findings effective analysis of internal and external environment is not carried out and the managements do not work effectively in analyzing and learning today's dynamic environment especially with regard to competitors and rivals with the soft drinks industry.

Further, with regard to environmental study, as per the document reviewed on the annual plan, SWOT analysis was marked same for each year (reviewed for three years back) without further environmental analysis. In the implementation phase of the strategic plan, there is no provision of adequate policies, manuals and procedures, development of organizational culture, lack of employee's motivation and reward systems strategies design. This is more linked with the Human Resource, which there is no strategic initiative identified.

MOHA allocates ample resources (financial) and adequate budget, information communication facilities for the smooth flow of information and reporting system. The organizational structure of the company is appropriate for the effective flow and reporting system, allocating power and responsibilities.

With regard to its resource (Human Resource and Technology) and strategic plan initiatives, as per the findings of the study, more work has not made on the human resource and no strategic initiatives were shown in the regard. Technologically, MOHA could able to implement the ERP tec. on the production and supply chain departments which link the Head Office with plants.

In the strategic evaluation process, there are no key performance indicators for the evaluation of strategic plan. Hence, no corrective action is taken in accordance to measurement of key performance indicators. Overall, the Middle and Top-level Management do not pay attention to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies.

Major challenges were identified on the process of formulation and evaluation phase. Employees are not participatory in the process. Further there is no regular evaluating and monitoring system, which will able to minimize the gab in the intended outcome and actual performance.

### **5.3 Recommendations**

MOHA is one of the biggest soft drinks Industry in the country and manages its business by developing a five year long term plan business strategy and have annual short term, goals and objectives. As literatures revealed that the strategic planning entails the process of formulation, implementation and evaluation techniques while developing the long term strategic plan, and in each step of the process, there are procedures and activities, which measure the process. Therefore, based on the findings of the study, the researcher recommends the following core elements on the strategic plan formulation and implementation and evaluation process.

- The management must share its vision mission and values for every employee and everyone in the company will access to contribute what is expected as per the strategic goal and objectives.

- During the process strategic plan formulation, adequate environmental scanning internal and external, SWOT analysis must be addressed more. Besides, more has to be worked on the analysis to compete with the current dynamic business environment. Middle level management and senior staffs should be participated in the formulation process.
- It requires top management commitment and the human resource capability to the strategy formulation and implementation process, effective leadership to drive the implementation process, employee commitment to the strategy process, rewards and incentives to encourage employees to contribute their best to the implementation process. Cultivation of strong cultural values (organizational culture) to meet the changing organizational needs, staff training and development. The Human Resource strategies must be design, which incorporates developing the human skills and organizational culture.
- There should be strategic evaluation process by setting key performance indicators and corrective action must be taken when there is a deviation between the planned objectives and goals and the actual performance. Furthermore, there should be developing new strategies subsequent to evaluation of the initial strategies

#### **5.4 Implication for further research.**

This research studied on the strategic plan formulation, implementation and evaluation process of MOHA soft drinks Industry S.C addressing only the Head Office employees of top management, middle level management and senior staffs. Further research must be carried out in other plants of MOHA addressed in Addis Ababa as well as outline plants since it is noted that the five year strategic plan works and involves for the management and employees of those plants.

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## APPENDIX



**Appendix A: Questionnaire filled up by Senior Staffs**

**St. Mary's University**  
**Masters of Business Administration Program**  
**Questionnaires to be filled by Senior Staffs**

Dear Respondent,

My name is Hiwot Abate and attending my postgraduate degree in the field of business Administration at St. Mary's University. Currently, I am conducting a study entitled "Assessment on formulation and execution of business strategy to gain competitive advantage in the case of MOHA Soft Drinks Industry S.C. The general objective of the study is to assess the formulation and execution of business strategies. This study is purely academic research. Your genuine response is highly valuable to conduct this study and then to arrive at legitimate results.

For further enquiry please contact me at: E-mail: [lifering95@yahoo.com](mailto:lifering95@yahoo.com),

**Respondents Information**

1. Number of years you have worked for this organization (in years) \_\_\_\_\_
2. Number of years working on this job (in years): \_\_\_\_\_
3. Position in the organization \_\_\_\_\_
4. Age (in years):  under 25,  25-34,  35-44,  45-54,  55 and above
5. Sex:  Male  Female
6. Educational Qualification:  
 High school Graduate                       Master's Degree  
 Technical School Graduate               PhD  
 College Diploma                               Other (please state \_\_\_\_\_)  
 BA/BSc Degree
7. Department \_\_\_\_\_

Statement	Strongly Agree	Agree	Moderately Agree	Disagree	Strongly Disagree
<b>Strategy Formulation</b>					
<b>Vision Statement</b>					
The company articulated a vision statement for the organization					
Top management updates vision statement regularly					
The Company Articulates a Mission statement					
The company has defined a set of values that govern its employees.					
The vision, Mission and Value statements are compatible with the company current activities being carried out					
Vision, mission and value statements are shared among employees					
<b>Environment Study</b>					
The company has conducted SWOT analysis while developing business strategies.					
Top management analyzes and learns today's dynamic and competitive environment and the company's internal operation					
The company has established long term SMART objectives that are easy to understand for all employees					

Statement	Strongly Agree	Agree	Moderately Agree	Disagree	Strongly Disagree
<b>Strategy Implementation</b>					
The company developed and communicated a policy manual to its employees to support strategy execution.					
Top management provides all the necessary resources to implement strategies of the company.					
There are adequate motivation and support to employees during strategy implementation.					
The company has appropriate organizational structure and reporting relationship between departments, sections and employees.					
The company has appropriate organizational structure and reporting relationship between departments, sections and employees.					
Top management takes the leading role in initiating and implementing change management					
The human resource departments capable of implementing company's business strategies					
The company provides adequate information communication technologies facilities to save time and cost of the workflow					

Statement	Strongly Agree	Agree	Moderately Agree	Disagree	Strongly Disagree
<b>Strategy Evaluation</b>					
Top Management communicates performance evaluation results to all employees					
MOHA has developed a set of key business performance indicators to track the success of strategic objectives.					
Top management succeeded in identifying corrective action when strategic objectives are not achieved					
Attention is paid to correcting, cancelling or developing new strategies subsequent to evaluation of the initial strategies by the middle and top level Management					

**Challenges in formulation and implementation**

1. What challenges have you faced during the preparation of strategic goals and objectives? Which stage was the most challenging one for you as a member of the top management?(environmental scanning, strategic plan preparation, strategy implementation and monitoring and evaluation of strategy implementation)?

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2. What do you think will solve the problem that you have already mentioned in question number one? What is your overall recommendation with regard to MOHA’s strategy formulation and implementation?

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## **Appendix B ---Interview guide for Strategic plan department**

**St. Mary's University**

**Master of Business Administration Program**

### **Interview Questions**

Dear Respondent,

I am attending my postgraduate degree in the field of business Administration at St. Mary's University. Currently, I am conducting a study entitled "Assessment on formulation and execution of strategy plan in the case of MOHA soft Drinks Industry S.C." "The general objective of the study is to assess the formulation and execution of strategies. This study is purely academic research. Your genuine response is highly valuable to conduct this study and then to arrive at legitimate results.

#### **1. Strategic Formulation Process**

1. How do you see the value of having strategic plan
2. Who involve in the strategic plan formulation process of MOHA? What was their contribution?
3. What were the steps followed in the strategic plan formulation?
4. To what extent does the SWOT analysis reflect the external and internal environment of MOHA operation?
5. How do you see the linkage (harmony) between and among the vision, mission and strategies of the plan?

#### **2. Execution and Evaluation process focused questions**

1. How do you see the alignment of the operational plans of MOHA with the strategic plan?
2. How do you evaluate the implementation of the strategic plan
3. How do you monitor and evaluate the plan?
4. What corrective measures do you take when you observe deviations in the plan execution as well as change in the operating environment?
5. To what extent do you think the management is conscious of the plan?

Thank You

