

**STRATEGIC RESPONSES TO ENVIRONMENTAL CHANGES  
AT MINETEC LIMITED, KENYA**

**BY**

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## **DECLARATION**

This research project is my original work and has not been submitted for a degree or any other award in any other university.

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This research project has been submitted for examination with my approval as the University supervisor.

Signature: ..... Date.....

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## **DEDICATION**

This work is dedicated to my loving parents, Paul and Mary and my brothers Derrick and Davies who have been very supportive throughout my studies and in this research work.

## **ACKNOWLEDGEMENT**

I thank the Almighty God for giving me the strength and power to complete this research project. My appreciation goes to the University of Nairobi for giving me the chance to pursue this research project. The completion of this project has been achieved through the patience and academic guidance of my supervisor Professor Justus Munyoki. I appreciate his valuable assistance. I am also thankful to the staff members of the University of Nairobi Library who helped me throughout the research period. My deep gratitude goes to all Managers at Minetec Limited who allowed me to carry out interviews. I am grateful for their time, support and their willingness to share information with me. Finally, I thank my family members for their support throughout my study year.

## ABSTRACT

Organizations are environment dependent and environment serving. Organizations are in constant two way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. They therefore affect and are affected by what happens in the external environment, which is beyond the organizations' control. Environmental change creates pressure for change in the organization and this means that they have to respond to relevant change to ensure that they survive. The study sought to determine the strategic responses to environmental changes at Minetec Limited, Kenya. This research adopted a descriptive approach on the strategic responses to environmental changes at Minetec Limited, Kenya. The respondents were composed of the top management of Minetec Limited specifically, the Managing Director, the Chief Operations Manager and the Chief Financial Officer. An interview guide was used to gather primary data from these executives. Data collected was then analyzed using content analysis and findings were presented in form of brief discussions on the environmental changes and key strategic responses identified. The study found that Minetec Limited has a strategic plan which is reviewed annually that describes how it promotes use of bulk emulsion to the market, competes effectively and strengthens distribution channels. It was clear that Minetec Limited faces challenges in both the internal and external environment. Internally challenges included huge resources required for strategic responses, politics and mismanagement, inefficient internal communication, and inability to maintain employee morale. Externally, the challenges included political-legal factors, the economy, socio cultural factors, technological changes and efficient flexibility of competitors. It was deduced that Minetec Limited has pursued some strategies to cope with the changing environment. These include maximizing our long term financial performance, restructuring in terms of products, services and management in order to conserve resources and reduce costs of production. The study therefore concluded that the challenges posed by the environmental turbulence both internally and externally have led Minetec Limited to come up with a strategic plan in order to cope.

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## **ABBREVIATIONS AND ACRONYMS**

**DLTS** Drill, Load, Tie and Shoot

**GDP** Gross domestic product

**IT** Information technology

**RBV** Resource-Based View

**US** United States

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Strategic responses are mainly concerned with decisions and actions meant to achieve business objectives and purposes. The firm will choose a strategy in response to the opportunities and threats it is facing after the environmental analysis (Johnson & Scholcs, 2002). Strategy is a bridge between a firm's resources and opportunities and risks the firm is facing in the environment, and it incorporates the competitive moves and approaches to deliver the best performance and satisfaction to all stake holders. Ansoff and McDonnell (1990) argue that strategic responses involve changes to the organization's behavior, and that such responses may take many forms depending on the organization's capability and the environment in which it operates.

The environmental dependency theory holds that an organization is dependent on its environment for survival (Pfeffer, 2003). According to this theory, organizations must therefore derive and pursue strategies that make it possible for it to operate in the environment with minimal disruptions to its operations. It is assumed that companies operating in an environment will take measures in order to reduce uncertainty by decreasing dependency or increasing power upon others (Nienhüser, 2008). A further source of uncertainty includes the existence of competition and the exercise of political power in the environment (Sheppard, 1995). The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Barney, 1991; Peteraf & Barney, 2003). This model holds that firms within an industry may be heterogeneous with respect to the bundle of resources

that they control but they will exhibit differences in their reactions to developments within the environments depending on the resources they control.

Currently, there is an increase in the attention given to the mining industry in Kenya unlike in the past. This is explained by the discovery of oil in Turkana and coal in various parts of the country. The citizenry and the legislative arms of the government are all paying a lot more attention to the hitherto dormant sector of the economy. Generally, with the increase in the number of internal and external investors the environment has experienced fundamental shifts. Minetec Limited which is a player in the mining industry has had to redesign strategies to cope with changes taking place in this sector.

### **1.1.1 The Concept of Strategy**

The concept of strategy has been adopted from the military and adapted for use in business. Mintzberg (1994) argues that strategy emerges over time as intentions collide with and are modeled to accommodate a changing reality. Strategy may also be explained as a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual out-come and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called "realized" or emergent strategy.

Pearce & Robinson (1991) define a strategy as a set of decision and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. They state that a strategy is a game plan which result in future oriented plans interacting with the competitive environment to achieve the company's

objectives. This means in order to formulate suitable strategies, top management must consider all aspects of dynamic environments and understand the needs to take the future into account and establish capable strategy to deal with the change that are taking place in the environment to meet company's objectives.

Mintzberg et al (2005) identify three different levels of strategy planning, namely, corporate level, business unit level and functional or departmental level. While strategy may be about competing and surviving as a firm, one can argue that products, not corporations compete, and products are developed by business units. The role of the corporation then is to manage its business units and products so that each is competitive and so that each contributes to corporate purposes.

### **1.1.2 Strategic Responses**

Strategy is the direction and scope of an organization over a long period of time, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of the market and fulfill stakeholders' expectations (Johnson and Scholes, 2002). Strategy can therefore be seen as matching of resources and activities of an organization to the environment in which it operates the strategic fit (Porter, 1980). A company strategy is about how management intends to grow the business, how to build loyal clientele, how to compete with rivals, how each functional pieces of the business will be operated and how to boost performance (Thompson et al, 2007).

The strategic responses that a firm chooses are not easy decisions and some of them may turn out to be wrong but this should not be a hindrance for not coming up with concrete decisions (Thompson et al., 2007). Firms have found themselves in a

position where they not only have to address environmental changes but actually anticipate them, Liberalization and globalization have opened up markets to environmental forces. This has made firms rethink their strategies (Pearce and Robinson, 1997).

Strategic response therefore involves changes in the firm's strategic behaviour and ensures success in transforming the future environment (Ansoff and McDonnell, 1990). Pearce and Robinson (1997) defined strategic response as the set of decisions and actions that result in formalization and implementation of plans designed to achieve a firm's objective. Organizations are environmentally dependent therefore they need to employ strategic responses in order to adapt to the changing environment, this will make firms to be successful and effective in their business (Johnson and Scholes, 2002), Firms can only respond effectively if the environment has been analyzed to identify the opportunities to exploit and risks to avoid.

According to Kepner (2001), organizations without a strategy may survive, but they will never thrive. Therefore, organizations need to create and implement an effective strategy in order to excel in today's marketplace. An organization undertakes strategic intelligence gathering and analysis which ensures that the depth and breadth of information on which strategic decisions are based is up-to-date, accurate, and relevant. The intelligence gathered includes, for example, competition, technology, markets, macroeconomic, political and social trends, and regulation, among other subjects of more specificity to each organization (Kepner 2001).

### **1.1.3 Environmental Changes**

Changes in environmental conditions such as political issues, socio – cultural effects, economic stability in the country and advancement in technology have resulted in the organization coming up with new techniques to enable it survive in the Industry. The environmental turbulence has posed various challenges such as increased competition, variations in customer needs and expectations, increased knowledge and alignment to technological advancements to the fund.

Burnes (2000) explains that because of political, economic, social and technological changes, the history of organizations has been that of change and upheaval since the industry age. Since the pace and uncertainty of such change varies from organization to organization, some appear to operate under relatively stable conditions while others operate under extreme turbulence. Organizations therefore need to determine the level of turbulence experienced in the environment and align themselves to these changes. Strategy therefore is the match between an organization's resources and skills, and the environmental opportunities and risks it faces and the purpose it wishes to accomplish (Schendel and Hofer, 1979).

According to Ansoff and McDonnell (1990) organizations are environment dependent and environment serving. Organizations are in constant two-way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. They therefore affect and are affected by what happens in the external environment, which is beyond the organization's control. Environmental change creates pressure

for change in the organization and this means that they have to respond to relevant external change to ensure that they survive.

#### **1.1.4 The Mining Industry in Kenya**

The mining sector in Kenya plays a minor role in the national economy with the mining sector only contributing 0.7% to the total GDP of the country. Recent discoveries of oil, gas and coal have however given the sector a lot of vibrancy. Kenya is endowed with renewable and non-renewable resources including minerals. Among minerals found in Kenya in significant quantities, are titanium in Kwale, coal in Kitui and soda ash (Trona) around Lake Magadi. Fluorspar, Gold, Iron, Manganese, Diatomite and natural carbon dioxide are also found in different parts of the country. Concerning the exploitation of its minerals, the government of Kenya is determined to expand the mining sector and support growth by creating enabling policy framework to attract investment. The Second Medium Term Plan 2013-2017 of Vision 2030 makes the development of the mineral resources a priority and states that exploitation of these resources will benefit the people of Kenya.

Kenya started exporting titanium minerals to China in February 2014. This is a flagship project that is expected to have a major direct impact on Kenya's economy either directly or indirectly over its lifetime. However, local communities have not benefited from the project since inception. Ten years after the project started, communities living in both Nguluku and Maumba do not have access to basic needs such as clean water, electricity, education and healthcare. Furthermore, the project has displaced communities causing a sudden break in social continuity. This break has resulted into impoverishment of the relocated people.



The Mining Act 1940 is inadequate in addressing the issue of equitable benefit sharing. However, Article 69 of the constitution bestows the obligation upon the State to ensure sustainable exploitation, utilization, management and conservation of the environment and natural resources. It also espouses equitable sharing of the accruing benefits and utilization of environment and natural resources for the benefits of the people of Kenya. It is worthwhile to note that Kenya has embarked on the process of reviewing the Mining Act 1940 Cap 308 that governs the mining sector. As a result, there is the Mining Bill 2014 which recognizes that either be considered as a benefit because they gave away ownership of land and were also inconvenienced.

Since the Mining Act 1940 does not provide for benefit sharing mechanisms in the sector, there is a need to harmonize it with Article 69 of the constitution of Kenya. This will provide mechanisms to guide the sharing of revenues accruing from mining projects. This study therefore sets out to advocate for a comprehensive regulatory framework on benefit sharing mechanisms in mining sector that will provide benefit sharing mechanisms balancing the interests of the Government, investors and communities in accordance to the spirit of the Constitution in order to avoid environmental degradation and any conflict over resources in Kenya.

Minetec Limited is a registered and authorized dealer in explosives in Kenya. The organizations' core business is the importation and manufacture of commercial explosives. They provide a complete mining service which involves drilling, loading explosives and blasting in accordance to customer specifications.

## **1.2 Research Problem**

Organizations are dependent on the environment for their existence and survival; as such they are compelled to scan the environment in an effort to understand trends and conditions that could eventually affect the industry and the changes that they may have to make to adapt to new environments (Thompson & Strickland, 1993). In case of environmental changes, firms will endeavor to understand what these changes mean in terms of demands of the environment, and will then develop proper strategies to respond to these changes (Wooldridge & Floyd, 1989). Today, business organizations have to contend with the dynamism of a changing competitive environment, modern trends indicate a shift from external environmental analysis to more sophisticated internal organizational analysis, and the strategic responses of organizations depend on the changes in the environment. The environmental changes that organizations are likely to encounter include changes in technology, competition, regulation, globalization and increased presence of counterfeits. The strategic responses to the environmental changes usually include price adjustments, product differentiation and a variety of actions that can result in competitive advantage.

A number of studies indicate responses by firms to changes in their environment. Vikhanskiy (2012) investigated business responses to environmental challenges in Russian industrial companies. Sethi (2015) developed a conceptual framework for environmental analysis of social issues and business response patterns. This study focused on only one dimension of the environment. Dean et al. (1998) studied the differences between the strategic reactions of small and large firms to environmental changes. This study was focused on the size of the firm and not the industry. Nyawira

(2010) studied the responses by cement companies to the strategic challenges posed by competition in the cement industry in Kenya. This study was addressing only a subsector within the mining industry. Mohammed (2012) examined strategic responses to environmental changes in the pharmaceutical industry in Kenya. This study was conceptually similar but contextually unrelated. Were's (2007) study was on strategic responses by state corporations to changes in the environment. The study was not specific to the mining industry in Kenya. This study therefore sought to answer this question: what are the strategic responses to environmental changes in the mining industry in Kenya? The study focused on a case study of Minetec Limited.

### **1.3 Research Objective**

The objective of the study was to determine the strategic responses to environmental changes at Minetec Limited, Kenya.

### **1.4 Value of the study**

This study would be important to policy makers who could use this information and find ways in which they can make the mining industry grow. Regulatory authorities would find the study useful in identifying areas in the industry that may call for intervention measures. This would enable the regulators design intervention strategies that make the environment suitable for the growth of the sector.

Given the emerging prominence of the mining sector in the Kenyan economy a lot of research interest is also likely to be stimulated in the sector. The academic community would use this study as a source of reference material for further studies concerning

strategic responses in the mining sector in Kenya. The suggestions for further studies will also indicate possible research areas that may be considered.

Minetec Limited would gain knowledge on how to respond strategically to environmental changes so as to remain relevant in their operations. The study would also be useful to other firms in the mining industry who would find invaluable information that may help them improve their operations thus enabling them to control their operational costs in relation to the strategic choices they make in response to the environmental changes. It would also greatly assist these firms to understand the strategic responses to environmental changes in the mining industry in Kenya and how to implement them, in the process enabling mining firms to achieve greater success than before the study.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Chapter two contains the theories that ground this study and a discussion of strategic responses and environmental changes. Both theoretical and empirical literature has been reviewed.

### **2.2 Theoretical Foundation**

Three theories form the theoretical background of this study; the resource dependency theory, the resource based view and the open systems theory. The three theories relate the firm to environmental dynamics and derivation of competitive advantage even in the presence of environmental turbulence.

#### **2.2.1 Resource Dependency View**

Resource dependence theory was originally developed to provide an alternative perspective to economic theories of mergers and board interlocks, and to understand precisely the type of inter organizational relations that have played such a large role in market failures (Pfeffer, 2003). The motivation of those running the organization was to ensure the organization's survival and to enhance their own autonomy from the environmental factors and forces, while also attempting to maintain stability in the firm's exchange relations. These efforts were the drivers behind many of the organization's observed actions. When it came to determining strategy, quest for power often trumped profits, an insight distinctly at odds with the leading economic approaches at the time.

This theory is premised on three main ideas: social context matters, organizations have strategies to enhance their autonomy and pursue interests and power is important for understanding internal and external actions of organizations. The emphasis on power, and the articulation of the explicit repertoires of tactics available to organizations, is one of the very distinguishing aspects of the resource dependence theory that sets it apart from other approaches, such as transaction cost economics. According to Davis and Cobb (2009), a riskier strategy for managing dependence is to co-opt it. The implication is that organizations can manage changes in their environments by adapting their strategies to the environmental changes.

### **2.2.2 Dynamic Capability Theory**

Teece et al. (1997) conceptualized dynamic capability as the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. Researchers have argued that these critical resources and capabilities can span the firm's boundaries and be embedded within inter organizational processes and activities. The dynamic capability theory argues that organizational capabilities must be understood mainly in terms of organizational processes (Zhou & Li, 2010). According to Eisenhardt and Martin (2000), dynamic capability is a set of specific and identifiable organizational processes set up in response to market or environmental changes. Thus, a firm should search for and select opportunities through its decision making process, and coordinate and reconfigure its resources through its implementation process.

Gathering information from the local and global environment helps firms to better understand the needs of their global customers and other pertinent environmental

changes better and also closely track competitive moves, which will lead to faster and more effective organizational responses when needed (Day, 1994). According to Makadok (2001), the resource-picking mechanism shows how firms can be more effective than their competitors in selecting resources so as to gain rents. Through their resource-picking mechanism, managers gather information and perform analysis to outsmart the resource market in choosing which resources and how much of them to put into the firm. In contrast, the capability-building mechanism shows how firms can be more effective than their competitors in deploying these resources.

### **2.2.3 Open Systems Theory**

This theory was developed by Katz and Kahn in 1966 and was based largely on general system theory, which emerged from the work of biological scientists. In their seminal work, *The Social Psychology of Organizations*, Katz and Kahn (1978) opined that closed-system models provided a static picture of an organization which is only applicable when the organizational environment is stable. However, experience shows that the traditional bureaucratic structures are not workable in modern dynamic environments. They argue that organizations possess many of the same characteristics as living organisms and hence behave similarly. According to Shehada (2010) open-system organizations are largely dependent upon their environment for resources for example power, information and money.

As organizations operate in a dynamic environment, they must respond to this environment in a manner that will promote homeostasis and permit growth. Just like living cells, systems must exchange resources with the environment in order to survive. Furthermore, the boundaries of social systems are amorphous, permeable,

and ever changing. Hatch (1997, p. 64-73) explained three of the most common ways of sorting the elements of an organizational environment into; the inter organizational network which is best represented by a group of organizations embedded in a complex web of relationships consisted of suppliers, customers, competitors, unions, regulatory agencies and interest groups. Regulatory agencies occupy a central position because they have legal control over activities associated with tax authorities and licensing agencies. Special interests are people, groups or organizations who attempt to influence the activities of the organization via political, economic and or social pressure; the general environment and the international or global environment.

### **2.3 Environmental Changes and Strategic Responses**

Strategy is the sustained pattern of resource allocation by which companies align themselves effectively to their external environment (Mintzberg et al, 2005). A useful place to start therefore is to consider the macro- environmental context in which an industry or company finds itself. This is a period of unparalleled change, driven by factors such as information technology, demographics, health economics and globalization. Each of these factors individually would call for a considered response from the industry, but taken together they represent a fundamental change in the market environment. This implies a concomitant fundamental response by the industry. Literature in strategy has dealt with the firm's adaptation to a changing environment by means of corporate strategy changes for a long time and claims that successful firms are the ones to change their strategy according to environmental changes are numerous.



According to Miller and Friesen (1983) the environment envelops change in customer tastes, production, or service technologies, and the modes of competitions. Castrogiovanni (1991) describes the multilevel organizational environment as consisting of macro, aggregation, task, and sub environments as well as a resource pool. Economic and technological conditions are ascribed to the macro environment. Economic or technological changes affect the task environment, which includes specific customers, suppliers, financiers, and so forth (Castrogiovanni, 1991). When economic conditions and technological change result in an increasingly dysfunctional practice of an organization on the task environment level, this turbulent environment triggers adaptive behaviour in organizations (Blackmore & Nesbitt, 2009).

Yet environmental change causes a problem for institutions because they are regarded as a source of stability and order (Scott, 2001). For institutionalism, the question is how an institution responds to environmental pressure to adopt new structures or practices. One type of pressure potentially leading to institutional change is functional pressure arising from perceived problems in performance (Oliver, 1992). Thus, changes in the environment may not be sufficient to prompt organizational change if the performance level is not affected. Therefore, environmental cognition has to be translated into strategic action (Bourgeois & Eisenhardt, 1988). Barr et al (1992) stress that organizational renewal depends on being able to link environmental changes to corporate strategy. To initiate a transformation process, the environment has to be perceived as leading to a dysfunctional output by the organization.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter explains the research design that was used in this study, the data collection method and instrument including the data analysis.

### **3.2 Research Design**

A research design explains the manner in which the researcher intends to go about answering the research questions and objectives. It is intended to guide the researcher in meeting the requirements of the study including generating and testing the hypotheses (Churchill & Emory, 2001). The research design of choice is informed by the nature of the study at hand.

The researcher used a case study in this study. Case studies have been advocated for when the intention of the researcher is to generate detailed information about the subject matter. In this study, a case study is justifiable because the researcher's intention is to gain insights into the strategic responses to environmental changes within an industry and a case study is best placed to provide this information.

### **3.3 Data Collection**

Only primary data was collected for this study. Given the nature of the current study, primary data is considered adequate. Information was sought from the highest managerial positions at Minetec Limited. Specifically, the managing director, the chief operations manager and the chief financial officer. These are the executives who can provide relevant information since they are involved in the derivation and execution of strategy. Data was collected by use of an interview guide. An interview

guide is recommended especially when the researcher wishes to ask questions on the basis of the answers provided.

### **3.4 Data Analysis**

Data collected as above was analyzed using content analysis. Content analysis is a method that entails an interrogation of the responses provided and the determination of any common themes running through them. The researcher then reports on these common themes by way of a narrative. It is a recommended method when data is collected using interview guides.

## **CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND PRESENTATION**

### **4.1 Introduction**

This chapter presents the analysis and findings of the study as per the research objective and methodology. The data was gathered through interview guides and analyzed using content analysis. The study focused on determining the strategic responses to environmental changes at Minetec Limited, Kenya. The study targeted the managing director, the chief operations manager and the chief financial officer who availed themselves to be interviewed. The commendable response rate was achieved at after the researcher made frantic efforts at booking appointments with the respondents despite their tight schedules and made phone calls to remind them of the interview.

### **4.2 Strategic Responses to Environmental Changes**

The study sought to determine the strategic responses to environmental changes at Minetec Limited, Kenya.

#### **4.2.1 Strategic Plan to Reflect Environmental Changes**

The interviewees were to indicate whether Minetec Limited has a strategic plan and how often the plan is reviewed to reflect the changes in the environment. From the responses, the interviewees were unanimous that Minetec Limited has a strategic plan which outlines how the company will promote use of bulk emulsion to the market, provide exceptional technical service, compete effectively and strengthen distribution channels. The plan is typically reviewed annually or when major events such as

legislation affecting the organization is approved, new technology changes the face of the industry's environment, or any other event leadership deems as necessary for changes to the strategic plan to be made.

#### **4.2.2 Challenges in the Internal Environment**

The study proceeded to determine the challenges in the internal environment that affect the operations of Minetec Limited. The interviewees indicated that the stability is one of the challenges that affect Minetec Limited's' operations. Minetec Limited's stability refers to the ability of a business to manage its finances; meet its debt obligations and return capital to its investors which is integral to its success. A business which is financially stable can grow its profits more easily than one which is not; furthermore, investors, lenders and employees are more willing to engage with and invest in a financially stable company. In addition, management stability and branding stability contribute to Minetec Limited's overall impression of being a sound and stable venture. The reverse is true; Minetec Limited's instability can quickly lead to decreasing profits and, ultimately, bankruptcy.

All the interviewees agreed that the organizational structure of Minetec Limited poses a challenge to its operations. It is of paramount importance that a cohesive and efficient structure is established and maintained if the organization is to function smoothly and carry out the goals and aims of the company effectively. The management at Minetec Limited evaluates job positions, hierarchy, and lines of communication so as to ensure the organization's structure is ordered and clearly defined and that all job positions are working in tandem with one another. The interviewees also reiterated that some strategic responses require huge resources.

These resources are needed to carry out research on issues of great importance to the organization. Resources are also needed to implement the findings of such research. The institution must therefore allocate substantial resources to respond to changes taking place in the environment. The money may not be readily available and therefore poses a strain on the organization's resources.

The interviewees intimated that Minetec Limited faces political and mismanagement challenges. Minetec Limited's internal company politics can be debilitating; causing management and staff alike to focus, not on the market and the job at hand, but on what's happening internally. Management and staff taking their eye off the ball can ultimately open the door to competitors stealing the organizations' market share. Mismanagement which includes a lack of proper control over finances, production, labour and marketing results in increased costs for the business. The interviewees agreed that internal communication has been a challenge in Minetec Limited. The culture of any organization is built on internal communication; this includes interpersonal relationships, training materials, newsletters, philosophical statements and policies. The employees are happier when they are courteous and respectful of one another. They want their achievements to be recognized. When you provide sufficient instructions to your subordinates, you enable them to do their jobs effectively. When employees are helped to identify with their company's mission and goals, you are likelier to keep them long-term.

The interviewees opined that maintaining the employee's morale to continue working and improving their performance is another challenge. Minetec Limited's management has found that incentivizing employees could prove to be a business risk,

if it's not done correctly, fairly and appropriately. Therefore the management ensures that they explore the right incentive and reward schemes for the business, for example, they consider whether group or individual performance bonuses, production bonuses or non-monetary rewards achieve the best results by reinforcing the behaviour they wish to see in the organizations' staff. The interviewees indicated that for any company to succeed and enhance its performance, innovation must be adopted. Whether it relates to product development, marketing and promotion or staff welfare, innovation is what keeps Minetec Limited one step ahead of its rivals. A lack of innovation, therefore, could pose a risk to the business's success as the organization will become staid, stagnant and irrelevant in a changing marketplace.

Interviewees also insinuated that market issues affect operations at Minetec Limited. The nature of the product determines the operational set-up. Regular changes to the marketing mix, particularly product, may place strains on operations, particularly if production is relatively inflexible. The interviewees also indicated that human resources pose a challenge on operations at Minetec Limited. For a services business in particular, the quality and capacity of the workforce is a key factor in affecting operational objectives. Targets for productivity, for example, will be affected by the investment in training and the effectiveness of workforce planning.

#### **4.2.3 Challenges in the External Environment**

The interviewees were asked to indicate the challenges in the external environment that affect operations at Minetec Limited. They indicated economy as one of the main external environment challenges where whether its boom time or bust, how the economy is doing impacts on business. In this case, though Minetec Limited may not

have control over the economy at large, understanding what drives it helps manage threats and maximize opportunities. For example, the company is greatly affected at the moment by the continuing decrease in the Kenya shilling to US dollar exchange rate. The interviewees identified political-legal factors as another challenge indicating that changes in government or government policies and legislation impact on the organization. Law is important in business transactions as it provides a basic framework within which a business enterprise must operate, facilitates smooth functioning of business transactions and protects both Minetec and their customers. The organization must comply with the legal constraints that exist in Kenya. For example, there have been delays in the Lapsset project connecting Lamu to South Sudan due to political instability in the regions resulting in lost/delayed revenue.

The interviewees concurred that socio-cultural factors posed a challenge. In this case it was indicated that socio-cultural factors determine the goods, services, and standards that society values. They include the demographics and values of a particular customer base. Members of society exert pressure on management because the public no longer accepts the actions of business organizations without questions. People have learned that voicing out their disagreements in newspapers and other forms of media can produce changes. The large number of laws and policies passed in recent years is the result of the public's influence. Minetec Limited, in order to remain acceptable to the general public must accomplish its mission within the range of societal norms and remain in the Kenyan societal good books.

The interviewees further said that technological change is a major challenge which affects how Minetec Limited operates. Technological change is very significant



especially in markets where product life cycles are short, innovation is rife and production processes are costly. Minetec Limited wishes to remain relevant therefore management makes sure that they monitor technological developments in their field and in the wider business sphere. The interviewees opined that the efficient flexibility of competitors strains the operations at Minetec Limited. Quicker, more efficient or better quality of services offered by competitors will place pressure on operations to deliver at least comparable performance. The interviewees indicated shareholders as another external challenge. Minetec Limited's management always wants to invest any profits for future growth. This may be at odds with company shareholders who wish to take value out of the business in the form of dividends. Their business approach, which may be more focused on personal rather than business wealth, can be very risky indeed for a business and requires careful yet firm management.

Finally the interviewees indicated labor force as another external challenge affecting Minetec Limited. The capabilities of Minetec Limited's employees determines to a large extent how well the organization can perform its mission. Since new employees are hired from outside the firm, the labor force is considered an external environment factor. The labor force is always changing. This inevitably causes changes in the workforce of an organization thus affecting the way management must deal with its workforce. A change in the Kenya's labor force creates dynamic situations within organizations. For example, changing values and laws have contributed to greater participation rates by women in the employment market thus parental leave and child-care facilities provided by employers are becoming more common demands.

#### **4.2.4 Major Technological Changes**

The interviewees were asked to indicate the major technological changes that have occurred in Minetec Limited in the recent years. They intimated that AEL Mining Services, Tanzania who signed a distribution contract with Minetec Limited in 2011, have provided exceptional support for Minetec in the fabrication of emulsion mixing/loading units; certification of staff in explosives handling; certification in safety procedures and training in blasting technology. The interviewees further elaborated that Minetec was established to provide new generation explosives products to the industry where ‘mining services’ would be offered to mines and quarries. This means that Bulk Emulsion explosives coupled with high energy boosters and Shocktube detonation systems are offered and sold on the basis of an ‘all inclusive mining service’.

The interviewees unanimously agreed that Minetec has expanded into drilling services wherein an all-inclusive mining service of Drill, Load, Tie and Shoot (DLTS) is provided. The organisation has expanded in recent years to provide drilling and blasting services which may also include Minetec managing quarries on behalf of clients. Minetec Limited offers ‘rock on ground’ after each blast which meets the expected cubic metres of broken rock at the correct fragmentation. The interviewees further indicated that a central magazine facility at Lukenya has been constructed from which products are distributed to satellite storage facilities in Kenya. This facility has the capacity to hold eighty tonnes of explosives. These magazines are built to international explosive storage standards and have been approved by Tullow Oil and KK Security.

The interviewees said that there has been an introduction of a new initiating system to the market which provides better timing and hence leads to more effective blasts and correct rock fragmentation. The organisation holds regular technical seminars for mining personnel to enable quarry operators to get the best out of the systems Minetec Limited offers to the market. The interviewees finally indicated that strategies have been put in place to achieve the appropriate changes. They further intimated that training of staff on the new technology and computerizing of all departments were the strategies put in place in order to achieve the appropriate changes. This ensures timely monitoring of performance among the managers. It has also improved efficiency and lowered the costs of operation.

#### **4.2.5 Major Policy and Regulatory Changes**

The interviewees were requested to indicate major policy and regulatory changes that have occurred in the mining industry in the recent years. They indicated that the government of Kenya is determined to expand the mining sector and support growth by creating enabling policy framework to attract investment. The Second Medium Term Plan 2013-2017 of Vision 2030 makes the development of the mineral resources a priority and states that exploitation of these resources will benefit the people of Kenya. They added that the Mining Act 1940 is inadequate in addressing the issue of equitable benefit sharing. However, Article 69 of the constitution bestows the obligation upon the State to ensure sustainable exploitation, utilization, management and conservation of the environment and natural resources. It also espouses equitable sharing of the accruing benefits and utilization of environment and natural resources for the benefit of the people of Kenya.

It is worthwhile to note that Kenya has embarked on the process of reviewing the Mining Act 1940 Cap 308 that governs the mining sector. As a result, there is the Mining Bill 2014 which recognizes that either be considered as a benefit because they gave away ownership of land and were also inconvenienced. The interviewees were in accord that since the Mining Act 1940 does not provide for benefit sharing mechanisms in the sector, there is a need to harmonize it with Article 69 of the constitution of Kenya. This will provide mechanisms to guide the sharing of revenues accruing from mining projects.

#### **4.2.6 Political Changes that have Taken Place**

The interviewees were asked to indicate the how political changes that have taken place in the country have affected Minetec Limited. They indicated that delays in the startup of construction projects such as Lamu Port and Lapsset projects due to political instability in the areas have resulted in delayed revenue for the company and also caused management to hold several meetings to discuss the viability of the projects. They cited that political issues have contributed to continued decrease in Kenya Shilling/ US Dollar exchange rate which has directly affected revenue earned by the company. The interviewees were in agreement that the extensive election period running from August 8th, 2017 to October 26th, 2017 had led to a lapse of business flow within the organization. Staff were absent for the period due to uncertainty of their safety as they travelled to work and many projects stalled due to the fact that the political environment was unstable. The interviewees also indicated that most of the foreign investors have withdrawn their investments in the country due to the political instability being experienced after Kenya's October 26<sup>th</sup> elections.

#### **4.2.7 General Guidelines/Action Strategies/Goals Pursued**

The interviewees were asked to indicate whether there are any general guidelines/action strategies/goals pursued. They were in accord that Minetec Limited adhered to some general action strategies, such as, to firmly cement and strengthen our position in Kenya by being recognised as the market leaders in the reliable supply of appropriate quality explosives products and accessories that meet our customer's needs, to provide superior technical service to our customers, to provide a complete mining service to customers' by offering cost effective drilling and blasting options to customers and also being professional, honest, reliable and sincere with business dealings.

The interviewees indicated that Minetec Limited always endeavours to maximise our long term financial performance, whilst simultaneously meeting our customers' expectations and is committed to conducting business in a safe and responsible manner with due regard for the health and safety of ourselves, our customers and the wider community and the environment in which we operate. The interviewees also averred that due to the challenges experienced, Minetec Limited has embarked on formal restructuring in terms of products, services and management which has led to retrenchment of unqualified staff entailing cost/asset-reduction, in order to conserve resources. The interviewees were asked to indicate at what level in the organization are strategies made. They indicated that most of the strategies are made at the corporate level.

#### **4.2.8 Responses to Emerging Changes**

Those interviewed were requested indicate how Minetec Limited reacts/responds to emerging technological, political, regulatory, social and economic changes. The interviewees opined that Minetec Limited responds to emerging technological changes by initiating new systems in the market which provide better timing and hence a more effective blast for the customer. Regular technical training seminars for mining personnel are held so as to enable quarry operators to get the best out of these systems. The interviewees also indicated that politics and lack of political goodwill has led to delay of planned projects e.g. the Lapsset project. The company has responded to this by diverting funds and other resources to other forthcoming projects.

The interviewees further indicated that immediate adoption of new laws relating to the business was the strategy put in place to respond to regulatory changes. The establishment of a legal department has also enabled the organization to align its operations to new legal requirements. This is because all businesses in Kenya including Minetec Limited must comply with the law. The organization therefore must always consider the impact of any forthcoming legislation on their operations. Management prefers to take action before or as soon as legislation relating to the mining industry comes into effect. For example, effort is being made to avoid environmental degradation whilst in the process of drilling and blasting.

The interviewees were in accord that society is continually changing. For example tastes constantly change. To respond to these changes and continue to appeal to customers Minetec Limited has invested resources in investigating methods of

increasing customer service delivery and come up with an alternative pricing model which moves away from pricing per unit and instead promotes charges based on an 'all inclusive mining service'. Finally, the interviewees intimated that economic changes such as the lapses in business seen during the 2017 election period are responded to with measures which dictate that operating costs will not exceed 10% of revenue generated. This in turn leads to loss of jobs in such a turbulent period as this target must be observed.

#### **4.2.9 Strategic Responses Used**

The interviewees were asked to describe some of the strategic responses used. They pointed out that supplying of technically superior products i.e. bulk emulsion which is a non-detonable emulsion that is completely safe and can be stored more conveniently as opposed to the detonating fuse products supplied by competitors has been adopted by Minetec Limited. The interviewees further indicated that strategic placement of magazine facilities which ensures ease of access and distribution to satellite storage facilities was also adopted. The interviewees indicated that there has been aggressive marketing which involves providing promotional goods and customer handouts which are both educational and promotional. As well as planning of regular customer visits by service engineers and senior personnel from time to time. Advertisements which are usually reactive to what is happening in the market or aimed at rebutting an aggression by another competitor are used.

The interviewees stated that another strategic response adopted within Minetec Limited was continual differentiation of the organization as reliable and technically competent suppliers of explosive products and accessories. Feedback from clients is

always taken into account when configuring or improving the products. This has ensured that the products are client centered and therefore easily adopted by clients when introduced into the market. The interviewees also opined that a research and development section is tasked with the work of collating views from clients, identifying their needs and thereafter developing products geared towards meeting such need. The department also ensures the products are well tested and piloted before being rolled out.

The interviewees said that Minetec used distribution strategies which minimize customer outlay on working capital for products and offering of JIT deliveries where cost effective. Converting selected customers from detonating cord and electrics to shocktube products was also adopted. The interviewees indicated that corporate social responsibility activities which aim to minimize the organizations environmental impact and be seen more favorably by consumers are embraced. For example clean up exercises and efforts towards recycling. These initiatives are sometimes backed by legislation and are high on the public agenda.

#### **4.2.10 Whether Minetec Limited Responds to the Changes**

The interviewees were asked to give their view on whether Minetec Limited responds to the changes in the environment proactively or reactively. The interviewees were of the view that management at Minetec Limited responds both proactively and reactively. This is because managers tend to anticipate changes in the external environment and come up with strategic responses which may require them to take action before certain changes come into effect e.g. legislation and government policy changes. The interviewees also agreed unanimously that some changes may take the



company by surprise for example the unexpected prolonged election period which therefore required the organization to come up with a resultant reactive response so as to survive in the unstable economic environment.

#### **4.2.11 Resource Requirements Consideration**

The interviewees were requested to indicate whether they consider resource requirements when implementing a strategy. The interviewees were in agreement that resource requirements are considered when implementing strategies at Minetec Limited. This is because sufficient funds and time are needed to support strategy implementation. Often, true costs are underestimated or not identified. True costs can include a realistic time commitment from staff to achieve a goal, a clear identification of expenses associated with a strategy, or unexpected cost overruns by the organization. Additionally, employees must have enough time to implement what may be additional activities that they are not currently performing.

The interviewees also averred that resource requirements should be considered since a change in strategic direction causes ripple effects of change throughout the organization. Entire departments or divisions may have to be reorganized to implement the revised strategies. Reporting relationships may be redrawn. All employees may not agree with the new strategic direction. They may resent the new responsibilities they have been given, and, as a result, not put forth the maximum effort that is required for the new strategies to succeed. Part of top management's job is to convince all members in the organization that the changes, in the long run, will benefit everyone. If management communicates the reasons behind the change in

strategy, resistance can be minimized, and employees are more likely to support the decisions that were made.

#### **4.2.12 Influence of likely Reactions by Competitors**

The interviewees were asked to indicate the influence of likely reactions by competitors when deriving response strategies. The interviewees were of the view that they add value to the investigated methods of increasing the service provided to customers, they enable the organization to predict market share that will be gained in the explosives market and that they aid in the continual organizational differentiation as technically competent suppliers of explosives. The interviewees were in accord that the Minetec Limited has always taken the lead by reducing the costs of their production in order to lower prices which have resulted in the company having a large clientele base. The reactions have also been seen in the launch of more innovative products. The interviewees indicated that the marketing strategies that the company has adopted to respond to challenges of competition have therefore been realized in increased sales and sound profitability of the company.

#### **4.3 Discussion**

Response to environmental change has long been an important research concern for management scholars. This research therefore sought to establish how Minetec responds to environmental changes affecting it. The research in particular sought strategic responses to environmental changes at Minetec Limited, Kenya.

### **4.3.1 Comparison with Theory**

The study found that Minetec Limited has a strategic plan which outlines how the company will promote use of bulk emulsion to the market, provide exceptional technical service, compete effectively and strengthen distribution channels. The study also found that Minetec Limited faces challenges. According to Davis and Cobb (2009), a riskier strategy for managing dependence is to co-opt it. The implication is that organizations can manage changes in their environments by adapting their strategies to the environmental changes. The study established that the strategic responses that help Minetec to cope with environmental changes were supply of technically superior products, aggressive marketing, organization differentiation as well as adoption of corporate social responsibility activities. This is in line with Makadok (2001) who argues that the resource-picking mechanism shows how firms can be more effective than their competitors in selecting resources so as to gain rents. Through their resource-picking mechanism, managers gather information and perform analysis to outsmart the resource market in choosing which resources and how much of them to put into the firm. In contrast, the capability-building mechanism shows how firms can be more effective than their competitors in deploying these resources.

The study found that Minetec Limited has always taken the lead by reducing the costs of their production in order to lower prices which have resulted in the company having a large clientele base. Hatch (1997) explained three of the most common ways of sorting the elements of an organizational environment into; the inter organizational network which is best represented by a group of organizations embedded in a complex web of relationships consisted of suppliers, customers, competitors, unions,

regulatory agencies and interest groups. Regulatory agencies occupy a central position because they have legal control over activities associated with tax authorities and licensing agencies. Special interests are people, groups or organizations who attempt to influence the activities of the organization via political, economic and or social pressure; the general environment and the international or global environment.

The study also established that the main internal challenges were instability, organizational structure, politics and mismanagement. On the other hand it was established that the external challenges were legal and social cultural factors. This is in line with Eisenhardt and Martin (2000) who argue that dynamic capability is a set of specific and identifiable organizational processes set up in response to market or environmental changes. Thus, a firm should search for and select opportunities through its decision making process, and coordinate and reconfigure its resources through its implementation process.

#### **4.3.2 Comparison with Other Studies**

The study found that management at Minetec Limited responds both proactively and reactively to changing environments. This is because managers tend to anticipate changes in the external environment and come up with strategic responses which may require them to take action before certain changes come into effect e.g. legislation and government policy changes. This concurs with Castrogiovanni (1991) who describes the multilevel organizational environment as consisting of macro, aggregation, task, and sub environments as well as a resource pool. Economic and technological conditions are ascribed to the macro environment. The interviewees indicated major policy and regulatory changes that have occurred in the mining industry in the recent

years were creating enabling policy framework to attract investment and reviewing the Mining Act 1940 Cap 308 that governs the mining sector. This correlates with Barr *et al.* (1992) who stress that organizational renewal depends on being able to link environmental change to corporate strategy. To initiate a transformation process, the environment has to be perceived as leading to a dysfunctional output by the organization.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary, conclusion, limitations and recommendation for further research. It gives the highlights of the key findings, draws conclusion and further gives recommendations for future research.

### **5.2 Summary of the Findings**

The objective of this study was to determine the strategic responses to environmental changes at Minetec Limited, Kenya. To achieve this objective, the study applied a case study design as the unit of analysis was only one organization. Primary data for this study was collected using interview guides from key personnel in the study organization. The study established that Minetec Limited has a strategic plan reviewed annually which describes how it promotes use of bulk emulsion to the market, competes effectively and strengthens distribution channels. It was clear that Minetec Limited faces challenges both in the internal environment and external environment. Internally it faces challenges such as huge resources required for some strategic responses, politics and mismanagement, inefficient internal communication, inability to maintain employee morale and improve their performance, and lastly, the organizational structure of the firm. Externally, the study established that Minetec Limited faces challenges such as political-legal factors, the economy, socio cultural factors that determine the goods, services, and standards that society values, technological changes and efficient flexibility of competitors.

The study found that there have been major technological changes that have occurred in Minetec Limited. These include introduction of new generation explosives products to the industry where ‘mining services’ are offered to mines and quarries, training of staff on the new technology, computerizing of all departments and introduction of new initiating systems to the market which provide better timing and hence lead to more effective blasts and correct rock fragmentation. The study further established that political occurrences in the country have affected Minetec Limited. The effects experienced were: low cash flows, entry of many competitors due to liberalization of the economy; regulation and receptive attitude of potential customers since the company is foreign owned, continued decrease in Kenya Shilling/ US Dollar exchange rate which has directly affected revenue earned by the company, reduced the customer base, foreign investors have withdrawn their investments in the country and lapse of business flow within the organization.

It was deduced that Minetec Limited has pursued some strategies to cope with the changing environment and the many challenges it’s facing. These include maximizing our long term financial performance, restructuring in terms of products, services and management that has led to retrenchment of unqualified staff entailing cost/asset-reduction, in order to conserve resources and reducing the costs of their production in order to lower prices. To respond to the emerging technological, political, regulatory, social and economic changes, Minetec Limited have initiated new systems in the market which will provide better timing and hence more effective blasts for the customer, diverted funds and other resources to other forthcoming projects, adopted

the new laws in the business and have invested resources in investigating methods of increasing customer service delivery and come up with an alternative pricing model.

Some of the strategic responses that Minetec Limited used included supplying technically superior products, strategic placement of magazine facilities, aggressive marketing, advertisements, continual differentiation of the organization, use of feedback from clients and distribution strategies. The study deduced that Minetec Limited management responds both proactively and reactively to the changes in the environment and considers resource requirements when implementing strategies. It was further revealed that reactions by competitors when deriving response strategies leads to increased service provision to customers, reduction in the costs of their production, increased sales and sound profitability of the company and efficient addressing of all the existing and potential customer needs.

### **5.3 Conclusion**

From the findings, the study concludes that the challenges posed by the environmental turbulence both internally and externally have led Minetec Limited to come up with a strategic plan in order to cope. Some of the strategies that Minetec Limited has established include maximization of the long term financial performance as well as restructuring in terms of products, services and management that has led to retrenchment of unqualified staff entailing cost/asset-reduction in order to conserve resources and reduction the costs of their production in order to lower prices. Minetec Limited has initiated new systems in the market that provide better timing of blasts. They have adopted the new laws in the business and invested resources in investigation of methods of increasing customer service delivery. To respond both



proactively and reactively to the changes in the environment, Minetec Limited have included supply of technically superior products, strategically placed magazine facilities and practiced aggressive marketing. They have adopted advertisements for public awareness of the presence of their products as well as putting in place systems to enable them receive feedback from clients on customer needs.

#### **5.4 Recommendations**

The study found that Minetec Limited faces various internal challenges such as inefficient internal communications. The study therefore recommends that Minetec Limited should come up with strategies to enhance good interpersonal relationships amongst the workers in the organization. This can be done through effective conflict management strategies, organizing of fun meetings and team building activities as well as internal campaigns to enhance respect amongst workers. This will improve collective performance of each worker as well as enhance teamwork. Since it was found that political changes have adverse effects on Minetec Limited, the study recommends that political leaders should engage in dialogue geared towards ending the political strain being experienced in the country. This will restore political stability within the country and lead to smooth business operations.

It was clear that Minetec Limited have come up with strategic responses to the changing environment. The study therefore recommends that Minetec Limited should ensure that each and every strategy applied fully addresses the challenge posed by the changing environment. The study found that there have been major policy and regulatory changes that have occurred in the mining industry in the recent years. The study recommends that the government of Kenya and Minetec Limited in

collaboration with other stakeholders should encourage the use of strategies related to ethics and good governance.

### **5.5 Limitations**

There was a challenge of time during the interview process. Most of the interviewees at Minetec Limited were quite busy and the time which the researcher had with each one of them could not allow for in-depth probing. Secondly, the respondents felt some of the detailed information regarding strategic responses to environmental changes at Minetec Limited as well as the ensuing results were intimate and confidential to the organization. As such in some areas we did not get detailed information. The risk of subjectivity as the researcher attempted to draw meaningful interpretations about the relationships and the effects inferred in the study is another limitation of this study. Whereas the case study is meant to draw its conclusion from content analysis of the data collected, it is important to acknowledge the risk of subjectivity and bias in interpretation. However, since the researcher attempted to compare the findings with theory and other studies, this limitation does not invalidate the research.

### **5.6 Recommendations for Further Studies**

For better generalization of the study results, a further study can be carried to determine the strategic responses to environmental changes at other organizations since this study focused on Minetec Limited, Kenya. The organization gave strategies that it is applying in response to the changes in the environmental and industry forces. It may be interesting to find out how the firm formulates these strategies. Specifically to determine factors which influence the choice of strategies within the organization.

The study recommends that a survey should be carried out to determine factors that influence the choice of strategies within the organization.

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## **Appendix I: Interview Guide**

1. Does Minetec Limited have a strategic plan and how often is the plan reviewed to reflect the changes in the environment?
2. What are the challenges in the internal environment that affect the operations of Minetec Limited?
3. What are the challenges in the external environment that affect operations at Minetec Limited?
4. What are the major technological changes that have occurred in your organization in the recent years?
5. What are the major policy and regulatory changes that have occurred in the mining industry in the recent years?
6. How have the political changes that have taken place in the country affected Minetec Limited?
7. Are there any general guidelines/action strategies/goals pursued?
8. At what level in the organization are strategies made?
9. How does Minetec Limited react/respond to emerging technological, political, regulatory, social and economic changes?
10. Describe some of the strategic responses used?
11. In your view, does Minetec Limited respond to the changes in the environment proactively or reactively?

12. Do you consider resource requirements when implementing a strategy?
13. What is the influence of likely reactions by competitors when deriving response strategies?
14. How often do you review the effectiveness of the response strategy?