

**INFLUENCE OF ENVIRONMENTAL SCANNING ON
COMPETITIVE ADVANTAGE OF EXP MOMENTUM LIMITED**

JOSHUA MUTUGI KABURU

**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
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DECLARATION

I declare that this Research Project is my original work and has not been presented for any award in any other academic institution

Signature..... Date.....

JOSHUA MUTUGI KABURU

REG. No. D61/82568/2015

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

Signature Date.....

DR. KENNEDY OGOLLAH

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

DEDICATION

I dedicate my research project to our God above for his grace and mercy that has seen me throughout the project. To my lovely family for their love, encouragement and continued support whenever I felt like giving up.

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ABBREVIATIONS AND ACRONYMS

GST: General Systems Theory

ICT: Information Communication Technology

PESTEL: Political, Economic, Social, Technological, Environmental and Legal Factors

RBV: Resource-Based View

RDY: Resource Dependency Theory

SWOT: Strengths, Weaknesses, Opportunities, and Threats

ABSTRACT

The environment is continuously changing hence giving businesses serious challenges to stay in the market, necessitating the understanding of the environmental forces, their nature, changes, trends, and interactions including their “ripple effects”. These Environmental forces are critical determinants of threats and opportunities a firm expect to face in its future and hence the managers need to quickly respond to, in order to keep the company on track and be able to meet its objectives. The objective of this study was to establish the influence of environmental scanning on the competitive advantage of EXP Momentum Ltd. This study was guided by the General Systems Theory, Resource-Based View and Resource Dependence Theory. This study employed a case study design. Structured interviews were designed and analyzed in a qualitative manner. The interview guide was administered to 5 respondents. The corporate strategy manager, ICT manager, head of commercial department, human resource manager, and the finance manager. The research applied content analysis method. The study concludes that as a result of environmental scanning which is carried out on daily basis; the EXP Momentum Ltd has been able to be one of the leading experiential marketing agencies in Kenya. The study also concludes that EXP Momentum Ltd was reactive to the emerging societal needs and complaints and feedback from the stake. The study recommends that EXP Momentum Ltd, needs to invest heavily in R&D to improve current environmental scanning strategies and develop new competitive environmental scanning strategies to outcompete rivals.

CHAPTER ONE: INTRODUCTION

This chapter provides the background information of the study with regards to the influence of environmental scanning on the competitive advantage of EXP Momentum Ltd. It specifically focuses on the background of the study where concepts of environmental scanning, competitive advantage, marketing agencies in Kenya and EXP Momentum Limited are explained. The study also looks at the research problem, research objective as well as the value of the study.

1.1 Background of the Study

Although, the origins of environmental scanning was focused more as a tool of analyzing business operations, in the recent past, it have become of great significance to other disciplines in an organization (Burns & Richter, 2011). As a methodology, Environmental scanning identifies economic, political, social, technological, competitive and geographical factors that impact the firm and then assess their potential as opportunities and threats (Rowe, 2014). According to Byars (2013), organizations use environmental scanning methods to forecast those outward forces that the firm or the industry may not be in control of yet are critical in the growth and sustainability of the firm.

General Systems Theory, Resource-Based View as well as Resource Dependence Theory anchored this study. General Systems Theory posits that organizations operate in a system made up of sub-systems that must work together to attain some goal (Bertalanffy, 1975). Resource Based View asserts that the resources an organization possesses determines its performance and competitiveness (Henry, 2008). These resources include physical, organizational capital resources, and human capital resources.

EXP Momentum Ltd, an experiential marketing agency, provides sponsorship marketing, brand activation, and public relation services. The company is based in Nairobi. The environment itself perhaps, more than any other factor, affects organizational structure, internal process, and managerial decision making. It creates uncertainty for managers through environmental changes, events, and trends which continually send signals and messages that must be recognized by the organization. To pick up these signals and make use of the information, EXP Momentum Ltd need to establish effective environmental scanning.

1.1.1 Environmental Scanning

Environmental analysis is among the most important elements of strategic planning on the strength of encouraging organizations to develop mechanisms of constantly monitoring the environment in which it operates (Sutter, Foerster, Krakauer, Polo & Almeida, 2013). An effective program to scan the environment should enlighten policymakers in understanding current and potential changes are likely to take place in the external environment of the institution (Fahey & Narayanan, 2016).

Johnson and Scholes (2012), caution, however, that organizations may experience a strategic drift, a situation in which strategies lose touch with the changing environment of the organization. Fahey and Narayanan (1986), suggest three objectives for analyzing the environment: to provide a grasp of the current and likely changes occurring in the environment, provide a fundamental intellect for strategic resolution makers and enable and foster strategic thinking in organizations. This helps the organization focus on the previously neglected areas.

In scanning, the organization can detect and address weak signals before they coalesce into a discernible pattern that affects the business's competitive environment (Henry, 2008). He further explains that monitoring permits an organization to visualize how environmental trends impacts on its competitive advantage. In making decisions about an organization's future direction, the management must answer three basic questions: where are we now? Where do we want to be? How do we get to where we want to be? Environmental scanning and forecasting seek to address the first question by engaging in competitive and internal organizational analysis. Byars (2013), notes that forecasting is a difficult process.

Of the major resources that make up the modern business enterprise – money, materials, machines, men, and information - only the last one still goes begging for systematic attention from management and business scholars. While many organizations may not have looked at how they achieve their information and how it is used in laying down strategic plans in the past, it has become increasingly a fundamental aspect in the management of strategy.

Sound analysis of the driving forces is a prerequisite for strategy making (Thompson et al., 2014). By scanning the macro environment, the organization is likely to identify the danger signs and possible environmental changes within the environment that may affect the business. This is useful in forecasting the future directions of changes within the environment thus facilitate an assessment of the present and future trends in terms of the effects such changes are likely to elicit on the firm (Wit & Meyer, 2014).

1.1.2 Competitive Advantage

The existence of competitive advantage comes in place when an organization offers a service or a product which customers in the marketplace see as good compared to that of its rivals. Porter (1996), defines competitive advantage as “the center of the performance of a given company in the competitive business environment”. He adds that competitive advantage could also imply that a given organization has a successful focus strategy, differentiation advantage, or low costs. Mohanty and Gahan (2015), stated that competitive advantage is sustained above-normal returns.

Among the activities which are being outsourced by many organizations include business services, manufacturing operations, as well as other lines of businesses (Graf & Mudambi, 2005). Porter (1996), notes that “to cope with the five competitive forces; there are three potentially successful generic approaches to outperforming other firms in an industry: overall cost leadership, differentiation, and focus”. The key measure of competitive advantage is the costs of physical assets. Ndungu (2010), asserts that competition strength in the banking industry can determine the potential profit as well as competitive advantage.

Chiteli (2013), noted that “competitive advantage can lead an organization to gain high returns economically as compared to other businesses in the same business competition market”. Variety of competitions in business environment could either imply that a company is able to produce a product or service valued by its customers as compared to that of their competitors, or rather is the production of this service or product done at a cost which is lower than its rivals.

1.1.3 Marketing Agencies in Kenya

Marketing Companies in Kenya are agencies which deal with offering advertising and promotional activities of a brand. The major goal of the marketing agencies in Kenya is to assist a brand to succeed in the competitive environment. As a result of vigorous promotion and advertising of the brand, it can survive in the competitive industry. Marketing Agencies in Kenya have different client background from various sectors of operations. They work from diverse industries be it non-profit making sector, health all the way to education sector (Oketch, 2014).

In a monopolistic market business are competing to have market awareness and share in the highly competitive business environment. Therefore, the significance of marketing agencies also known as creative agencies cannot be trivialized. They carry the role of creating market awareness of their clients' products and operations as well as build (Oketch, 2014)

1.1.4 EXP Momentum Limited

EXP Momentum Ltd is part of Africa's largest and leading experiential agency network and was the first specialized experiential agency to open in Kenya, having opened its Nairobi office in 1996. As an agency, EXP Momentum Ltd creates uncertainty for managers through environmental changes, events, and trends which continually send signals and messages that must be recognized by the organization (Exp Kenya, 2017). The company focuses on the needs of its customers and target audience. It gets out into the market to listen, observe and learn from the target audience.

The company focuses on brand execution in the marketplace every day. Innovation is at the heart of everything that the company undertakes. The company possesses a worldview in their thought leadership and strategic drive, maintaining a responsive attitude to change (Exp Kenya, 2017). EXP Momentum Ltd is an experiential agency of advertising with a major focus on designing as well as executing Sixth Sense™ Experiences which deem relevant to the audience who are targeted. They engage their customers on one on one basis which ultimately helps the customers to have a good understanding of the brand. The company has been in existence in the African region for over 25 years with an office network across the continent (Exp Kenya, 2016)

1.2 Research Problem

The environment is continuously changing hence giving businesses serious challenges to stay in the market, necessitating the understanding of the environmental forces, their nature, changes, trends, and interactions including their “ripple effects”. These Environmental forces are critical determinants of threats and opportunities a firm expect to face in its future and hence the managers need to quickly respond to, in order to keep the company on track and be able to meet its objectives.

Mutuku (2014), in his contribution, stated that it is of imperative for firms to regularly perform environmental scanning in order to be able to effectively plan for future surprises that may discontinue the operations of the organization. Further, he noted that, with the knowledge of the potential threats which can negatively affect the firm’s operations, the organization will be able to craft strategies that will cope up with these threats and thus enhancing their competitive advantage.

Several researches have shown an existence of a linkage between the performance of an organization and its surrounding environment. For instance, Babatunde & Adebisi, (2012) is on opinion that undertaking a survey on the environment will help an organization to understand its strengths position as well as the threats that faces the organization. Ultimately the firm will come up with devices to invest more on its strengths and regulate the potential threats. EXP Momentum Ltd needs to establish effective environmental scanning mechanisms. Indeed, the environmental scanning is becoming critical for all types of organizations to survive and remain successful.

Several studies (Karami, 2014; Yunggar 2005; Kaburi 2013 and Abdilatif 2014) have been done with regards to environmental scanning. Internationally, Karami (2014), carried out an investigation of environmental scanning and growth strategy in high tech small and medium-sized enterprises. The descriptive survey design was used. The study revealed that the competitive advantage is achieved as a result of scanning the environment thoroughly.

However, the study failed to explicitly show the relationship between environmental scanning and organizations competitive advantage. Further, the study used Descriptive survey design while the current study has used a case study research design. Yunggar (2005), researched the significance of environmental scanning for strategic purpose using descriptive research design. This research revealed that there is a strong correlation between an organization and the environment. The study Marjory focused on organization performance and thus overlooking the concept of competitive advantage which is the basis of this current study.

Locally, in Kenya, Kaburi (2013), studied how UNAITAS Sacco Society Ltd strategically responded to changes in the business environment. The study adopted a content analysis method to analyze the data collected. Unaitas responded by designing strategies to remain relevant, have a competitive edge and increase its market share. The study fails to clearly show the relationship which exists between the environmental scanning and competitive advantage. Abdilatif (2014), conducted a study on response strategies adopted by small Oil Marketing Companies in Kenya to environmental challenges using explanatory research design and concluded that organizations should conduct environmental scanning to be aware of environmental forces that influence their operations.

However, the study failed to show how environmental scanning influences competitive advantage. In addition, the study focused on the oil industry and thus little can be borrowed for marketing agencies due to the fact of the different operating environment. Further, the study used explanatory research design while the current study has used a case study research design. Various studies (Karami, 2014; Yunggar 2005; Kaburi 2013 and Abdilatif 2014) have been conducted concerning environmental scanning at both small- and large-scale firms in Kenya and internationally. Past studies have concentrated on the effects and responses of organizations to their environment. Therefore, this study aimed at bridging this gap by asking a question on: What is the influence of environmental scanning on the competitive advantage of marketing agencies in Kenya: a case study of EXP Momentum Limited?

1.3 Research Objective

The objective of this study was to establish the influence of environmental scanning on the competitive advantage of EXP Momentum Ltd.

1.4 Value of the Study

The findings of this research may be useful to various stakeholders. To the practitioners, it has been used in validating theory. It may also form a basis for future environmental monitoring in EXP Momentum Ltd and other organizations. The findings may also enhance our knowledge of environmental scanning aspects. It may also address the question of the how of scanning, shed more light on the contextual factors affecting scanning and highlight perceptual hindrances to scanning.

The policymakers in the marketing agencies sector who might be interested in understanding the impact of environmental scanning on competitive advantage. This may help them in making decisions on the environmental scanning to adopt for them to enhance their competitive advantage. This study may help policy makers to design programs that may stimulate the growth and sustainability of the marketing agencies thereby increasing on their competitiveness.

Researchers may gain insight into what methods of environment scanning seems to be working best for marketing agencies. Research is a useful tool for developing, supporting or negating theory. The theories guiding this research are General Systems Theory, Resource-Based View and Resource Dependency Theory. The findings of this research may generate assumptions for the theories and evaluate their applicability in competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical foundations underpinning environmental scanning. It also contains the review of the relevant data that explains the nature and the importance of environmental scanning in formulating an organizational strategy. It reviews environment scanning literature in general and later endeavors to link competitive advantage.

2.2 Theoretical Foundations

A theory is a statement of causality. It is a statement that links two or more concepts. This area articulates the theories that shall guide this study. This study was guided by general systems theory, resource-based view and resource dependency theory. The Resource-Based View (RBV) which is termed as an economic tool in strategic management is used in the determination of the strategic resources that is used for various purposes. In order to achieve sustainable competitive advantage firms, make use of these resources. General systems theory illustrates the need for an institution to be upbeat and receptive to deviations in its environment

2.2.1 General Systems Theory

The General Systems Theory (GST) which was advanced by Bertalanffy (1975), shall provide the theoretical framework for this study. According to this framework, one can scrutinize and/or define any group of objectives that work together to accomplish some goal. GST defines how an institution or system relates to its environment.

The system acquires inputs from the external environment and transforms them to generate outputs which are exchanged with the environment. If the environment accepts the outputs, the cycle continues. On the other hand, if the environment does not accept the outputs, the system must change the outputs it produces otherwise the risk of failure and extinction is very high. The strength of this theory has been tested through the theory of Evolution in which Charles Darwin, the 19th-century naturalist, proposed the Theory of Evolution of the species by observing how specific animal species had adapted to changes in their environment.

Charles Darwin observed that those species that were able to change to meet changes in their environment had survived and thrived, while those that were not able to adapt perished and disappeared. It is a basic Systems Theory assumption that organizations are neither self-sufficient nor self-contained. They must exchange with and are dependent upon the external environment that is all elements external to an organization that is appropriate to the physical operations (Stoner, Freeman & Gilbert, 2004).

2.2.2 Resource-Based View

The strategy adopted by an organization will determine how well it matches its resources and capabilities to the external environment needs, thus allowing it to achieve a competitive advantage (Henry, 2008). According to Henry, resource-based view emphasizes the value of internal capabilities in strategy formulation and in effect the achievement of competitive advantage. RBV leads to the identification of a unique cluster of resources and capabilities possessed by each organization (Collins & Montgomery, 1993).

Organizations that accumulate valuable, rare, non-imitable and non-substitutable resources gains an edge in enterprise competitiveness (Peteraf, 1993). The perception of resources could include all assets, capabilities, organizational processes, organizational attributes, information and knowledge among others. When well controlled and properly used, an organization can use strategies that are effective and efficient (Barney, 1991).

As per Barney (1991), resources of an organization are categorized based on physical which are comprised of equipment, plant as well as finance. Another categorization is of resources based on organizational capital which entails organizational structure, human resources systems as well as control systems. Also, resources are categorized based on human capital resources which entail skills, judgment as well as knowhow of employees.

2.2.3 Resource Dependency Theory

The behavior of an organization is shaped by the context in which it operates - that is, the ecosystem of the business” (Pfeffer and Salancik 2003). They explain that although the importance of the environment has been emphasized by most researchers, most theories have focused on the internal resources of organizations, yet the external resources are critical to the survival of an organization.

The environment dependency theory, also known as resource dependency theory assumes that dependency on critical and important resources influence the actions of an organization. These resources are found in the environment, and therefore the need to scan this environment due to the uncertainties that reside in it. Resource dependence has two dimensions: dependence and power inequity.

According to Casciaro and Piskorski (2005), mergers and acquisitions in the US between 1985 and 2000 were driven by mutual dependence. Power imbalance acts as an obstacle. Organizations try to restructure their dependencies to reduce uncertainty in the way resources flow by restructuring their dependencies by aiming directly at the constraining party in the relationship. Possession of resources elicits power that is used to control behavior.

Pfeffer and Salancik (2003), have submitted several methods management could apply to handle resources and exchange relationships with the environment. These changes the direction of organizational acquiescence by meeting the demands of an actor, avoiding influence from the environment, managing and avoid dependence and managing the conditions of social control. The strategies that can be used to manage these strategies are vertical, horizontal integration, use of interlocking boards of directors and cooption of members of influential organizations into these boards.

Medcof (2001), argue that RDT and RBV should be combined. This is because Barney (1991), argue that the two are related. RDT stresses the external environment and explains the reactions of an organization to external demands. On the other hand, RBV focuses on the internal, scarce and inimitable resources. The two-use different theoretical mechanisms for developing explanations. While RDT is more descriptive, explicative and value-neutral, RBV is prescriptive.

2.3 Environment Scanning in Organizations

The analysis and planning are the first steps towards the strategic process. Planning is largely concerned with future change (Rosen, 1995). It is troublesome to plan without scanning. Scanning includes a situational analysis which describes an institution's status and identification of external threats and opportunities as well as an internal appraisal that identifies institutional strengths and weaknesses. Environmental scanning, also referred to as industry analysis is a process that allows conducting research and gathering and integrating external info (David, 1996).

According to Albright (2004), ES should be done constantly and in an ongoing manner to ensure a preparative stance as environmental influences arise. This helps organizations identify emerging issues that might pose potential pitfalls and thus affect the organization's future. It equips organizations to form a strategic position which helps it address external forces over which it could exert control as applicable.

Choo (2001), defined environmental scanning as a process by which an organization acquires information about events, trends, and associations in its external environment. This understanding is useful in the planning of an organization's future strategy (Aguilar, 1967). There are external factors that influence the scanning behavior of organizations. First and foremost is the instability in the environment and resource reliance. There is then the organizational factors which include the nature of the industry and approach pursued.

Information factors such as the availability and quality of information need also to be brought into consideration. Individual dynamics among them the scanner's awareness or cognitive style must also be brought into the limelight. Choo (2001), explains that environmental scanning can involve viewing (looking at information) and searching (looking for information). There are four approaches/modes of scanning the environment. The first mode is undirected viewing in which an organization can view the environment as unanalyzable and thus fails to delve into the environment to analyze it (Aguilar, 1967). In this approach, the organization studies a variety of publications just to be informed and no other purpose (Ojo, 2008).

The differences in management perception of environmental analyzability result from environmental characteristics combined with the management's experience based on previous interpretation (Daft & Weick, 1984). The second one is conditioned viewing. In this case, the organization views the environment as analyzable but takes no action. The individual views information selectively with the intention of evaluating its significance and relevance to the organization. The third mode is enacting searching. In this approach, Organizations view the environment as unanalyzable but goes ahead to intrude into it to sway events and results. They actively seek material to develop the knowledge and understanding regarding a specific matter, though in a comparatively limited and amorphous way. Intrusive organizations allocate substantial resources for information sourcing. The aim is to systematically gather, analyze and interpret information to gather the correct interpretation.

The final mode is formal searching, which occurs when the organization appreciates environmental analyzability and intrudes into it to gather accurate environmental facts through proactive efforts to obtain specific information on specific purposes (Morrison, 1992). Organizations forecast changes in the overall environment by use of planned scenarios. This disciplined approach helps in visualization of likely futures (Schoemaker, 1995). The steps followed in scenario planning are the definition of the scope followed by identifying major stakeholders, identification of elementary trends, after which key reservations are identified.

This is then followed by constructing of initial scenario subjects, checking whether there are regularity and credibility, developing scholarship scenarios, identifying research needs, developing quantifiable replicas and growing towards decision situations. Schoemaker (1995), outlines four characteristics of useful scenarios: First, they can address the individual apprehensions within the organization. Secondly, they possess internal consistency. Thirdly, they describe futures that essentially vary rather than being variations on a theme and that every scenario defines a long-term state of equilibrium.

According to Johnson, Scholes, and Wittington (2010), scenario planning is a detailed and reliable assessment of the conceivable future enlargement of the business environment of an organization which is offered on the foundation of information on the key factors that drive changes whose effect on the organization's strategy cannot easily be predicted. In 2006, Porter defined a scenario as an inside steady depiction of what the future may be like.

Scenario planning is essentially a projection of the possible future (Fahey and Randall, 1998). Schwartz (1996, 2011) believes that scenario methods should not be used for forecasting but upsurge the level of tactical decisions. Fahey (2003) stated that scenarios must spark a mental dialogue in a manager's mind on alternative futures and affect his/her tacit knowledge. Albright (2004), enumerates various barriers to effective scanning. These include large volumes of data that can be overwhelming to the scanners (information overload). This leads to another barrier; important pieces of information may be overlooked. The scanners may also not be aware of the many sources of information.

Mwaka (2013), in his study of environmental scanning of education organizations identified ES challenges as time, lack of technical competence, attitude, and challenges of accessibility of data. According to Albright (2004), scanning transforms an organization into a learning one. New information is pivotal in developing strategic plans and enhancing the overall position of the organization in the marketplace. Through scanning, an organization also identifies new strengths and emerging technologies (Choo, 2001).

2.4 Environment Scanning and Competitive Advantage

Calori (1999), is on a view that organizations are able to gain knowledge with regards to their environment issues, threats as well as opportunities as a result of scanning of environmental. Realization of this crucial information will help the organization to achieve its competitiveness. In short, organizations are able to understand there environment which is operating in which will help them to tailor made their products and services to fit in their operating environment.

The environment itself perhaps, more than any other factor, affects organizational structure, internal process, and managerial decision making. It creates uncertainty for managers through environmental changes, events, and trends which continually send signals and messages that must be recognized by the organization. Indeed, the environmental scanning is becoming critical for all types of organizations to survive and remain successful (Sutter et al., 2013)

The environment is continuously changing hence giving businesses serious challenges to stay in the market, necessitating the understanding of the environmental forces, their nature, changes, trends, and interactions including their “ripple effects”. These Environmental forces are critical determinants of threats and opportunities a firm expect to face in its future and hence the managers need to quickly respond to, in order to keep the company on track and be able to meet its objectives. Mutuku (2014), in his contribution to planning the future course of action (Aguilar 1967; Welter, Mayer & Quick, 2013).

2.5 Summary of Literature and Research Gaps

A study by Karami (2014), on how the scanning of environmental enhanced the growth of high-tech SMEs revealed that for an environment scanning tool to be of significant tool of enhancing organizations competitive advantage, there is need for an organization to integrate its strategies to the environment. He noted that when linking strategy and environment, environment scanning should be the initial step to perform. However, the study failed to explicitly show the relationship between environmental scanning and organizations competitive advantage.

Yunggar (2005), researched the significance of environmental scanning for strategic purpose. The study used descriptive research design. This research revealed that there is a strong correlation between an organization and the environment. Although the study revealed a positive linkage on environmental scanning and performance, the study Marjory focused on organization performance and thus overlooking the concept of competitive advantage which is the basis of this current study.

Sutter et al. (2013), focused on how environment is monitored among small business with a focus on the Real Estate Sector. Although this study showed that the company, through its partners, performs the environmental monitoring activities, the process is highly dependent and customized according to the personal abilities of each of them, giving importance and emphasis on personal judgment factors which can cause biases in the analyzes. Having this fact in view, it is highly advisable that the studied company determines the criteria based on the theory for the selection of variables that must be monitored and also that the company formalizes the responsibilities for the monitoring.

Mwaka (2013), researched the environmental scanning in teacher education with a focus on Higher Education in Kenya. From this study, it was evident that the scope and source of information for environmental scanning efforts are wanting. On the part of the sources of information, this needed to be expanded to include ICT specialists, opinion leaders, and religious leaders. The study was based on Higher Education in Kenya and thus little can be borrowed by marketing agencies in Kenya.

Kaburi (2013), did a study on strategic responses adopted by UNAITAS Sacco Society Ltd to changes in the business environment. The study adopted a content analysis method to analyze the data collected. According to the study findings, Unaitas was affected by new technologies, high expectations from their clients, increased Government of Kenya supervision, weather fluctuations and increased competition. Unaitas responded by designing strategies to remain relevant, have a competitive edge and increase its market share. Some of the strategies that the Sacco devised are; marketing and advertisements, diversification, rebranding, and partnership. Other strategies are; differentiation cost leadership and diversification.

Muthiani (2012), was interested on establishing how environment as well as practices of marketing influences the alcoholic beverage companies' performance within Nairobi County. The study revealed that environmental scanning which is done on regular basis have helped alcohol beverage companies in Kenya in predicting their future operations. It was revealed that alcoholic beverage companies' performance did their environmental scanning through undertaking PESTEL analysis. Although some studies have been carried out on environmental scanning in business, there exists a research gap on the influence of environmental scanning on the competitive advantage of marketing agencies in Kenya. This study, therefore, provided valuable information on the influence of environmental scanning on the competitive advantage of marketing agencies in Kenya

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The focus of the research methodology chapter is to illustrate the researcher's scope of operational procedures that has been used in the study. This chapter presents aspects of research methodology to make into use in the research study. It thus presents in detail the research design and the data collection method that was employed to analyze it. Specifically; it comprises philosophies and design, methods of collecting data, and data analysis of the research findings.

3.2 Research Design

A research design is a strategy used for collecting and analyzing data to test the research hypothesis or to respond to research questions. It provided a framework on how the information was collected, from whom, and when, data collection method was used, the instrument used how it was administered and how the information was organized and analyzed to ensure that research objectives have been met by the researcher. This study employed a case study design.

According to Yin (2008), a case study is an empirical study that probes an existing occurrence within its real-life environment. A case study permits the researcher to shed better light on phenomena from multiple perspectives defined by the context, unlike other approaches. It offers a useful approach to theory development (Blumberg, Cooper & Schinder, 2011).

Under this design, the researcher sought information from interviewees who were grounded on the issues studied. A case study presents one unit of study thus allowing an in-depth study of the behavior and pattern of the subject. The researcher scrutinized in detail the influence of environmental scanning on the competitive advantage of EXP Momentum Ltd using a case study approach.

3.3 Data Collection

A case study uses interviewing and observation for data collection. Structured interviews were designed and analyzed in a qualitative manner. It is of relevant to a process of scanning the environment to include several combinations of FGDs, desktop researches, review of literatures, scoping reviews, systematic reviews as well as interviewing key informants in order to reveal various perspectives related to the key tem of environmental scanning (Burns & Ritcher, 2011). The study used primary data collected through an interview guide.

The interview guide used open-ended questions. This enabled the researcher to collect qualitative data. The interview guide enabled the researcher to obtain up to date information as well as bring to the fore information that could otherwise not be obtained through other data collection techniques. It is also preferred over other methods as it gives the researcher a better understanding and more insightful interpretation of the results from the study. The interview guide was administered to 5 respondents. The Corporate Strategy Manager, ICT Manager, Head of commercial Department, Human Resource Manager, and the Finance Manager.

All the interviews were conducted by the researcher in the month of November 2018, official authorizations through introduction letter was sought from the University of Nairobi and EXP Momentum Ltd before data collection. Desired data was collected in a period of two weeks with a pre-visit done in advance to prepare for the actual data collection process and preparing the recipients. The interviewees were given the interview guides in advance to acquaint themselves with the questions under review. Other forms of data collections were applied such as observations.

3.4 Data Analysis

Since the data was qualitative (data to be analyzed is text rather than numbers), it was analyzed by drawing attention to what the researcher felt was of importance or significance. This is because environmental scanning methods are to a large extent qualitative and subjective as much as they are also speculative in nature. The techniques of coding, annotating, labeling, selection and summary were applied to identify relationships. Qualitative analysis transforms data into findings (Patton, 2002). No formula thus exists for this transformation. The destination, unlike quantitative data, remains unique for each inquirer. The research applied content analysis method. Shanon et al (2005), described the content analysis method as a systematic quantitative description of the composition of the exploration of many important but difficult areas to the researcher.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS, AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and findings of the research study. The objective of the study was to establish the influence of environmental scanning on the competitive advantage of EXP Momentum Ltd. The research instrument was structured personal interviews with senior managers of various departments within the company. Data was analyzed using content analysis.

4.2 Response Rate

Out of the targeted five (5) respondents, 4 availed themselves for the interview with the researcher this gives a response rate of 80%. As per Mugenda and Mugenda (2003), any response rate above 70% is deemed excellent, therefore this study's response rate conforms to their stipulation. The 80% reply rate was achieved after the researcher made substantial effort to contact the respondents through telephone calls and e-mails and physical visits to book an appointment and for the actual interview.

4.2 Interviewees Profiles

The study collected some background information about the interviewees to determine their suitability in providing the information sought by the study. The interviewees were asked how long they had worked at EXP Momentum Ltd, the shortest time was 5½ years and the longest time was 16 years. This response shows that the respondents were well informed on the processes and activities at EXP Momentum Ltd. hence able to answer the research question.

On the department that the interviewees were based in, the respondents were from commercial department, human resource department, the finance department, and the corporate strategy department. These findings show that the interviewees were distributed across all departments within the EXP Momentum Ltd. hence more representative of the organization. When the interviewees were asked on the years they had worked in that department, their stay ranged from 5 years to 14 years. This answer shows that the interviewees are well informed on the activities of the department and they have valuable information.

4.3 Environmental Scanning and the Competitive Advantage

The study sought to establish from the respondents, their understanding of survey of environment. The respondents indicated the survey of environment to be political, economic, legal and social-cultural. In addition, the respondents indicated that EXP Momentum Ltd performs survey of environment through situational analysis which describes the company's status and identification of external threats and opportunities as well as an internal appraisal that identifies company's strengths and weaknesses.

The company undertakes industry analysis that allows conducting research and gathering and integrating external information. In responding to this objective, the research sought to establish whether the respondents had a reasonable grasp of the meaning of the term's environment and scanning. The researcher found that the respondents understood organizational environment in the internal and external contexts.

The SWOT and PESTEL acronyms played out strongly. They however had challenges with scanning, which was however found to be familiar after the researcher explained it to them. With this understanding the researcher sought to establish the rationale and the methods EXP Momentum Ltd. used in scanning its environment.

4.3.1 Rationale for Environmental Scanning at EXP Momentum Ltd

The interviewees were asked to indicate how often environmental scanning is done at EXP Momentum Ltd. The respondents indicated that environmental scanning at their company is done on daily basis where the company has teams in the field that monitors the dynamic changes of the environment. This helps the company to continuously devise mechanisms that will help it to adopt to the ever-changing environment and thus making the company more competitive.

When asked on the importance that EXP Momentum Ltd lay on the environmental scanning, the interviewees indicated that the scanning of the environment is very crucial for the company as they must keep on monitoring what is happening on the environment. When asked whether EXP Momentum Ltd is more reactive or proactive as it relates to trends within its environment, the study found that the company was reactive to the emerging societal needs and complaints and feedback from the stake holders. To, a larger extent, the company was proactive in looking out for the emerging trends and expected future scenarios. The researcher found that some employees were trained on futures thinking. In addition, the respondents indicated that specific departments are more proactive as compared to the others. The respondents noted the strategic and commercial departments to be more proactive as compared to the other departments in the organization which are reactive in nature.

4.3.2 Approaches to Scanning at EXP Momentum Ltd

Pashiardis (1996), highlighted three approaches to scanning: the establishment of scanning committees within the organizations, sponsoring of a scanning conference or organizing scanning events and assigning the scanning task to a research and planning office. The researcher observed that EXP Momentum Ltd has a distinct environment scanning committee. There is also a planning department that mostly deals with internal environment.

For strategy planning, the company used questionnaires, employee surveys, human resource training needs assessment, work environment surveys, feedback from the corporate communications department, situational analysis and customer satisfaction surveys. Customer satisfaction surveys were administered to those clients as well as to those attending seminars. Monitoring and evaluation at all levels is done continuously. A summative evaluation is carried out every five years. EXP Momentum Ltd. also conducts a needs assessment study by reaching out to stakeholders who includes other experienced marketing agencies, stakeholders, clients and research institutions. EXP Momentum Ltd. also borrows from the international best practices through bench marking.

The company also organizes marketing conferences where views and trends are collected. EXP Momentum Ltd identified an area of need through complaints from customers, marketing investors and the industry. Base line surveys were also carried out. Survey monkey approach was also employed. Due to resource limitations, bearing in mind the scope and context of EXP Momentum Ltd the company also hires the services of professional research organizations to fill in the gaps where work might be too much.

4.3.3 Employees Appreciation on the Need of Environmental Scanning

The study sought from the interviewees at EXP Momentum Ltd, whether the employees appreciate the need of environmental scanning and if the scanning information is shared with them. The respondents indicated that the level of appreciation among the employees depends on the departments, quoting the employees of strategic and commercial departments do appreciate more the need of environmental scanning.

The respondents were on the view that environmental scanning at EXP Momentum Ltd is totally appreciated by the employees at the top management level. It is therefore of imperative to note that it is the duty of the top managers at the organization to change the culture of the employees at the lower and the middle level of management, for them to embrace and support environmental scanning practices in the organization for the obvious competitive advantage the company can achieve as a result of environmental scanning.

4.3.4 Environmental Scanning and EXP Momentum Ltd Competitiveness

When asked whether environmental scanning enhances EXP Momentum Ltd competitive advantage, all the respondents were in the affirmative. They agreed that as a result of environmental scanning which is carried out on daily basis; their firm has been able to be one of the leading marketing agencies in Kenya. Competitive advantage which is experienced by EXP Momentum Ltd has come to reality as a result of undertaking environmental scanning practices. Further, the respondents indicated that EXP Momentum Ltd use environmental scanning methods to forecast those outward forces that the firm or the industry may not be in control of yet are critical in the growth and sustainability of the firm.

The respondents further indicated that as a result of environmental scanning, EXP Momentum Ltd have been able to come up with strategies to meet changing external circumstances, thereby helping the company to succeed and survive in the marketing industry in Kenya which is very competitive. In short environmental scanning have helped EXP Momentum Ltd to adapt its behavior to the changing reality of the external world and ultimately enhancing its competitiveness. The environment itself perhaps, more than any other factor, affects organizational structure, internal process, and managerial decision making.

It creates uncertainty for managers through environmental changes, events, and trends which continually send signals and messages that must be recognized by the organization. To pick up these signals and make use of the information, the organizations need to establish effective environmental scanning, a process which can be viewed as a kind of radar to scan the world systematically and signal the new, the unexpected, the major, and the minor. Indeed, the environmental scanning is becoming critical for all types of organizations to survive and remain successful

The environment is continuously changing hence giving businesses serious challenges to stay in the market, necessitating the understanding of the environmental forces, their nature, changes, trends, and interactions including their “ripple effects”. These environmental forces are critical determinants of threats and opportunities a firm expect to face in its future and hence the managers need to quickly respond to, in order to keep the company on track and be able to meet its objectives.

The study revealed that environmental scanning has helped EXP Momentum Ltd to clearly understand the challenges facing its environment of operations. The political, social, cultural, economic or legal spheres have helped the company in devising strategic measures for it to survive in the competitive industry of marketing in Kenya. The organization addresses all changes that happen in the environment in real quick time and therefore remain very competitive.

4.4 Challenges of Environmental Scanning at EXP Momentum Ltd

The respondents were asked to identify the challenges they faced or felt EXP Momentum Ltd faced in the process of scanning the environment. The panel approach, technological challenges and attitude were identified as the major challenges. These challenges were as shown below

4.4.1 The Panel Approach

For marketing development, review and reform, the institute primarily applies the panel system. EXP Momentum Ltd also conducts a needs assessment study by reaching out to stakeholders. EXP Momentum Ltd also borrows from the international best practices through bench marking. The panelists are drawn from experienced marketers, Quality assurance and standards, and representatives of EXP Momentum Ltd EXP Momentum Ltd mostly uses the panel approach in scanning. These panelists are drawn from different stake holders and interest groups such as the digital marketing agencies, ministry of cooperative development & marketing and practicing marketing companies. It is very difficult to draw all of them together at any one given time. Hence in the panel meetings, not all special interests are represented. This has even been made more difficult by policy directives by the ministry of cooperative development & marketing.

4.4.2 Technological Challenges

The respondents indicated the major challenge facing EXP Momentum Ltd to be downtime on internet, mostly Zuku and Safaricom internets. Disruptive technologies that would render the current technologies redundant are the norm today. Due to lack of funds, the company may not be able to keep abreast with these changes. The study however observed that the digital content at EXP Momentum Ltd is very high. However, even with these efforts, it has not been embraced in many marketing firms in Kenya either due to ignorance or resistance by the employees to embrace technology

In the contemporary world, technology adoption is of great significance to every company for it to exist in the highly competitive market. The cost of adopting these technologies have become a major challenge to EXP Momentum Ltd owing to the fact that the initiation costs for adopting a new technology is very high. Besides initiation costs, the induced costs for maintaining these new technologies at EXP Momentum Ltd was found to be a major challenge hindering environmental scanning.

4.4.3 Attitude

The research findings indicated that common people generally do not understand what an environmental scanning all is about and the issues that should go into the same. The researcher gathered that there is a disconnect between theory and practice. The respondent stated that most Kenyans employ a “wait and see” attitude but are apt in questioning and pointing fingers when things have not worked. Unlike other technical areas, many people feel they know so much about the environmental scanning and therefore have something to offer. Different interest groups, which are not core to the process, pressure for a slot in the activities of EXP Momentum Ltd.

The study found that EXP momentum ltd. has very qualified and competitive staff. Majority of those interviewed had served at EXP momentum ltd. for over 10 years, some even 15 years and more. Due to this wealth of experience, they are pouched by other institutions. This results to a performance gap for a period. Due to the funding deficiencies, the company may lack adequate resources to hire enough employees with top notch competencies. To reduce this challenge, the human resource division has engaged in career progression and succession planning in order to address foreseeable gaps.

4.5 Discussion of Findings

The study established that as a result of environmental scanning, EXP Momentum Ltd have been able to come up with strategies to meet changing external circumstances, thereby helping the company to succeed and survive in the marketing industry in Kenya which is very competitive. Environmental scanning has helped EXP Momentum Ltd to adapt its behavior to the changing reality of the external world and ultimately enhancing its competitiveness. In tandem with the study findings, Calori (1999) is on a view that organizations are able to gain knowledge with regards to their environment issues, threats as well as opportunities as a result of scanning of environmental. Realization of this crucial information will help the organization to achieve its competitiveness. In short, organazations are able to understand its environment which is operating in which will help them to tailor made their products and services to fit in their operating environment.

The study revealed that environmental scanning has helped EXP Momentum Ltd to clearly understand the challenges facing its environment of operations be it political, social, cultural, economic or legal spheres, which helps the company in devising strategic measures in order for it to survive in the competitive industry of marketing in Kenya. Like the study findings, Sutter et al. (2013), contends that the environment itself perhaps, more than any other factor, affects organizational structure, internal process, and managerial decision making. It creates uncertainty for managers through environmental changes, events, and trends which continually send signals and messages that must be recognized by the organization. Indeed, the environmental scanning is becoming critical for all types of organizations to survive and remain successful

The environment is continuously changing hence giving businesses serious challenges to stay in the market, necessitating the understanding of the environmental forces, their nature, changes, trends, and interactions including their “ripple effects”. These Environmental forces are critical determinants of threats and opportunities a firm expect to face in its future and hence the managers need to quickly respond to, in order to keep the company on track and be able to meet its objectives. Mutuku (2014), in his contribution to planning the future course of action (Aguilar 1967; Welter, Mayer & Quick, 2013). Albright (2004), asserts that timely information is significant. Time limitations compromises information accuracy. An organization can acquire information when it is too late to be useful. When information sources are too many, this can result to information overload, thus important information can be overlooked. Exp Momentum Ltd contends with time challenges, again caused by fewer staff. The struggle to beat strict deadlines has the effect of compromising the quality of their work.

Pashiardis (1996), explained that individuals or education institutions needs to stay abreast with environmental changes. According to him, planning in the absence of scanning is a recipe for disaster. Organizations must thus change their structures in order to respond to environmental matters appropriately. Organizations can thus approach scanning by establishment of scanning committees, sponsorship of scanning conferences or events or restructuring to have an institutional research and planning office. EXP Momentum Ltd has both functions of planning and research separated. The head of planning deals with internal matters, specifically the strategic planning while the research department is more outward looking. In his study of strategic planning and environmental scanning in the multi-unit Portuguese hotel sector, Costa (1997), found that the greatest impediment to scanning was a lack of a formalized and continuous ES by both the informal and formalized planning chains. The other challenge was more of process rather than content where there is a lack of a high degree of flexibility in decision making process. EXP Momentum Ltd has a formalized research unit that conducts research on continuous basis.

Scheuer et al. (2014), in their scanning of Henry Ford Community College environment found that the restraining forces to ES were money, lack of awareness of the process, lack of competencies, time challenges, poor communication channels and data overloads. Poor communication of results to the stake holders due to lack of funds was the major bottleneck for EXP Momentum Ltd. The company however sends executive summaries to interested stakeholders. The process appeared to be clear and elaborate to the researcher.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study on the challenges of environmental scanning for the curriculum by EXP Momentum Ltd. The conclusions, drawn from the findings and recommendations are also presented. The chapter also highlights the limitations of the study and suggests areas for further research.

5.2 Summary of Findings

The study revealed that as a result of environmental scanning which is carried out on daily basis; the EXP Momentum Ltd has been able to be one of the leading marketing agencies in Kenya. Competitive advantage which is experienced by EXP Momentum Ltd has come to reality as a result of undertaking environmental scanning practices. Further, the study indicated that EXP Momentum Ltd use environmental scanning methods to forecast those outward forces that the firm or the industry may not be in control of yet are critical in the growth and sustainability of the firm.

The study found that EXP momentum ltd. is proactive in scanning its environment. The company uses subject and course Panels, baseline surveys, needs assessments, survey monkey and situational analysis in collecting its data. Once an area of need is identified, the officers apply the designed steps of research to collect and analyze relevant data. The company borrows from other research institutions and policy documents and publications by subject experts and specialists. Observation is also employed in the field and feedback from clients, marketing officials and experts, industrialists and other stake holders.

The study revealed that environmental scanning has helped EXP momentum Ltd. to clearly understand the challenges facing its environment of operations be it political, social, cultural, economic or legal spheres, which helps the company in devising strategic measures for it to survive in the competitive industry of marketing in Kenya. The researcher found that there were systemic and environmental challenges faced by EXP momentum ltd. These included financial limitations leading to poor policy implementation leading to delayed feedback, political interference on the work of EXP Momentum Ltd and knowledge gaps by the employees

5.3 Conclusion

The study concludes that as a result of environmental scanning which is carried out on daily basis; the EXP Momentum Ltd has been able to be one of the leading marketing agencies in Kenya. Competitive advantage which is experienced by EXP Momentum Ltd has come to reality as a result of undertaking environmental scanning practices. Further, the study indicated that EXP Momentum Ltd use environmental scanning methods to forecast those outward forces that the firm or the industry may not be in control of yet are critical in the growth and sustainability of the firm.

The study also concludes that EXP Momentum Ltd was reactive to the emerging societal needs and complaints and feedback from the stake holders. On the other side, the company was proactive in looking out for the emerging trends and expected future scenarios. Some employees were trained on future thinking. In addition, specific departments are more proactive as compared to the others. Strategic and commercial departments are more proactive as compared to the other departments in the organization which are reactive in nature.

5.4 Recommendations of the Study

The study concludes that financial challenge remains a key impediment to conducting environmental scanning by EXP Momentum Ltd. The company thus needs to re-invent the wheel and look for other means of funding. This is because when there is adequate funding, physical, financial and requisite competencies to keep the company abreast will always be available. This will equip them to have a thorough understanding of the roles and expectations as well as interests espoused by the various actors involved in the process of change or affected by it. It is with adequate financing that the company will be able to address other challenges such as inadequate skilled labor and a lack of capacity to carry out a thorough environmental scan.

It is also the conclusion of this research that owing to the nature and extent of the core mandate of EXP Momentum Ltd, the company needs to continuously engage the stake holders in order to reduce ignorance and enhance participation in environmental scanning. To wade the political intrigues, lobbying amongst the legislators need to be intensified to minimize political sabotage and ensure that EXP Momentum Ltd receives adequate support. The study recommended that EXP Momentum Ltd, needs to invest heavily in R&D to improve current environmental scanning strategies and develop new competitive environmental scanning strategies to outcompete rivals. The study also recommended the EXP momentum ltd also to invest in technology which was constantly changing, which helps in attracting and retaining customers while improving quality of service and at long last helping the company to achieve competitive advantage.

5.5 Limitations of the Study

Conducting interviews was difficult due to the stringent firm's policy on confidentiality of information either on EXP Momentum Ltd.' strategies or on customer information. The interviewees expressed fear of such information being shared with competitors or misrepresentations of information obtained. Despite these challenges the validity of the findings emanating from this study was not compromised.

Given the nature and sensitivity of EXP Momentum Ltd., most respondents were cautious about giving away too much information on their environmental scanning. They were therefore giving scanty responses in the excuse of protecting the privacy of their business. Thus, these could have hindered the accuracy of the results.

5.6 Suggestions for Further Studies

This study was a case study of EXP Momentum Ltd. in a market with more players in the marketing agencies business. As a result, every aspect of environmental scanning was as it is applicable only at the EXP Momentum Ltd. and therefore the findings could not be exhaustively analyzed and applied in all marketing agencies. Thus, the study suggests that research be done on environmental scanning and its impact on market growth on all the marketing agencies players in the Kenyan market.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION


UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 15/11/2018

TO WHOM IT MAY CONCERN


The bearer of this letter JOSHUA MUTUGI KABURU
Registration No. DG182508/2015

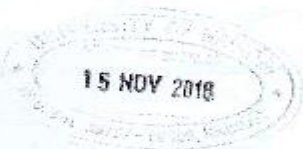
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.


He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS


15 NOV 2018


EXP. MOMENTUM
P.O. Box
5592 - 00100
G.P.O. NAIROBI
TEL: 3861801/2
KENYA

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APPENDIX II: CONFIRMATION OF DATA COLLECTION



Mr. Joshua Mutugi Kaburu
Registration No. D61/82568/2015
School of Business: University of Nairobi
Cell: 0721744452
Dear Mr. Mutugi

RE: REQUEST TO COLLECT DATA AT EXP MOMENTUM LIMITED

The above matter refers.

Thank you for your letter dated 18th November 2018, requesting us to allow you interview our top management at EXP Momentum Ltd to facilitate completion of your research project.

Your request is hereby approved to proceed and conduct interviews.

Yours Faithfully

Mr. Awiti

A handwritten signature in blue ink, appearing to read 'Awiti', with a horizontal line extending to the right.

Strategy Director



Exp Momentum Ltd.
Physical off Makenyeri Road, Lavington Postal PO Box 5692-00100, Nairobi, Kenya
Telephone 020881902, 072512946, 0572512947, 0202572690 Mobile +254722254848
www.expagency.co.ke

APPENDIX III: INTERVIEW GUIDE

Section 1: Staff demographics

i. Name (optional) _____

ii. Gender

Male [] Female []

iii. Designation _____

iv. Period of service _____

v. Level of qualification _____

vi. Area of Specialization _____

Section 2: influence of environmental scanning on the competitive advantage

i. How do you understand survey of environment to be?

ii. What importance does EXP Momentum Ltd lay on environment scanning?

iii. How has EXP Momentum Ltd collected information from its environment (Data Sources)?

v. Do the employees appreciate the need of environmental scanning? Is the scanning information shared with them?

vi. To what extent has EXP Momentum Ltd invested resources in environment scanning?

- vii. What role has technology played in environmental scanning? To what extent has it been employed?
- viii. How often is environmental scanning done at EXP Momentum Ltd?
- ix. What are the challenges that EXP Momentum Ltd faces in carrying out environmental scanning?
- x. Do you believe EXP Momentum Ltd is more reactive or proactive as it relates to trends within its environment?
- xi. Do you feel environmental scanning enhances EXP Momentum Ltd competitive advantage? If yes kindly explain how