

**STRATEGIC RESPONSES OF CONTAINER FREIGHT STATIONS
IN KENYA TO CHALLENGES IN THE BUSINESS ENVIRONMENT**

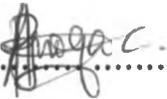
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DECLARATION

This Research Project is my original work and has not been presented for examination to any other university.

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I want to acknowledge the people who sacrificed and supported me most- My Family and also my colleagues both at work and in Campus, and friends, for their prayers and encouragement.

I acknowledge that God works through people, and to Him and all, I say Thank You.

DEDICATION

To my wife Asenath Wande Olali,
and our sons
Bryan Olali and Bryton Olali-
For love, joy, and vitality that they give to my life

'By beholding you be transformed'

ABSTRACT

Businesses do not exist in a vacuum; rather they operate within an environment. The environment itself is dynamic and surprising and is multi-layered. Container Freight Stations are businesses run by private entities licensed with the sole mandate of decongesting the Mombasa port in terms of handling, transfer and storage of cargo (vehicles and containers). Strategic responses by various firms have been studied in various settings, yet no endeavor had been done and so little information is available on CFS and their operations.

The purpose of this study was to determine the strategic responses of container freight stations in Kenya to challenges in their business environment. The study was a census that employed exploratory research design. The population of interest was all the 10 KRA licensed CFSs. The research instrument was a questionnaire addressed to the chief executive officers or their designated representatives, which was dropped and later picked, further follow up interviews were carried for clarifications.

The findings pointed to the challenges in the immediate operating environment with respect to logistics; site and location; industry environment challenges centered on threats of entry, while the remote environment came up with challenge of government policies with respect to regulatory framework. The CFSs adopted a combination of strategies including aggressive marketing; operational efficiency and cost cutting amongst other strategies. The study hopes the findings will be used to enhance better regulation and to promote competition and growth.

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List of Abbreviations

CFS – Container Freight Station

KAM - Kenya Association of Manufacturers

KPA - Kenya Ports Authority

KRA - Kenya Revenue Authority

NEMA -National Environment Management Authority

TEUS - Twenty Foot Equivalent Units

(e.g. 64x20ft containers plus 74x40ft containers = 212TEUS,

i.e., 40FT is equivalent to two 20ft containers)

CHAPTER ONE: INTRODUCTION

1.1. Background to the Study

Businesses are often referred to as organizations. An organization is a body that is set up to meet needs. Organizations satisfy needs by providing their clients or customers with goods and services. All organizations will have a formal structure which will be organized by function, product or service or activity, area, customer or process According to Pearce and Robinson (2007), a business does not exist in a vacuum, rather it exists within an environment. A major focus of strategic decision-making is how best to ensure an effective fit between an organisation and its environment. However, that fit is not static. The challenge is constantly to monitor and forecast changes in the business environment and to adapt the organisation and its strategy accordingly. Strategic fit express the degree to which an organization is matching its resources and capabilities with the opportunities in the environment. The matching takes place through strategy and it is therefore vital that the company have the actual resources and capabilities to execute and support the strategy.

Ansoff and McDonnell (1990) found out that when organisations are faced with unfamiliar changes in the environment, there is need for revising the strategies to match the turbulent level. As such, timely reaction and management of the turbulences is essential for business survival. In short, strategic responses can be used by firms in the management of their businesses and also to enable them remain competitive in the advent of environmental changes.

1.1.1. Strategic Responses

A strategy is a pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole (Porter, 1980). 'Response' has been defined in the business dictionary as 'reaction to an event, occurrence, or situation, aimed at its containment or control'. It is thus synonymous with 'reply' or 'answer'. A response is also defined as decisions deliberate or consequential taken by firms to mitigate environmental forces and to ensure survival and also to outsmart the competition.

Strategic responses involve changes to the organization's strategic behaviour (Ansoff and McDonnell, 1990). Pearce and Robinson (2007) define strategic response as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve desired goals of the firm. Environmental uncertainties force managers and firms to develop and cast strategies vital to ensure survival and relevance. Thus there is always need to scan the environment, which can be looked at in various perspectives, the internal and the external environment. They also identified three types of environments of the firm: External remote environment, External industry or immediate or operational environment and the internal environment. Remote environment has been attributed to factors that are far from the firm but which have significant impact on its operations. Ansoff (1965) termed the remote environmental influences as PESTEL factors inclusive of political, economical, social, technological, ecological and legal factors. Factors that more directly influence a firm's prospects originate in the environment of its industry, including entry barriers, competitor rivalry, the availability of substitutes, and the bargaining power of buyers and suppliers. The operating environment refers to factors in

the immediate competitive situation of the firm such as its customers, suppliers and those firms having dealings with the company.

A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that had not. Muhungura (2007) observed that today's organizations engaging in businesses have to contend with the dynamics of a changing competitive environment. However the modern trend has shifted from external environmental analysis only to more sophisticated internal organizational analysis. He recommends that companies should continuously adopt strategic policies both within the organization and externally while integrating its most important resources. Ohunga (2007) writes that the government policy changes have significant and tangible effects on industry structural changes through full-blown regulation of key variable such as entry barrier into industry, competitive practices or profitability. Less direct government influence occurs through regulation of issues like service quality and product safety, environmental quality, tariff or foreign investments.

1.1.2. Container Freight Stations in Kenya

A CFS is defined by the online Business dictionary as a port facility for loading and unloading containerized cargo to and from ships/vessels. They have also been elsewhere called container terminal. For licensing purposes, Kenya Revenue Authority Regulations refer to them as 'Transit Sheds.'

A CFS can also be seen as a common user facility with public authority status equipped with fixed installations and offering services for handling and temporary storage of

import/export laden and empty containers carried under customs control and with Customs and other agencies competent to clear goods for home use, warehousing, temporary importations, and temporary storage for onward transit. CFS is an off dock facility located near the servicing ports which helps in decongesting the port by shifting cargo and Customs related activities outside the port area. CFSs are largely expected to deal with break-bulk cargo originating/terminating in the immediate hinterland of a port any may also deal with rail borne traffic to and from inland locations.

Since CFSs are considered as an extension of the port, in so far as they help in cargo handling and clearance, there are modalities on how they obtain the cargo from the port. There is put in place a cargo ship/vessel nomination system, which helps in assigning cargo from various ships to the various CFSs. This is controlled by Kenya Ports Authority based on a review of CFS capacity, the information of which is updated on a daily basis on their website (vessel CFS Nomination). This might present challenges in the operations of the CFSs. With the growing volume of international trade and the need to have Mombasa port remain viable destination for sea bound cargo, logistical challenges arise as to the capability of the Container Freight Stations to be able to play their role as a gate valve to the realization of faster vessel turn around time, in terms of discharging and loading cargo.

The volumes of Import Containers handled at the Port had increased tremendously thereby outgrowing the existing infrastructure. This necessitated the licensing of the Dry Ports popularly referred to as CFSs. According to Kenya Ports Authority(KPA) bulletin

Our corporate world (2010), to improve efficiency and decongesting the Port, privately owned and operated container freight stations participate in handling and storage of motor vehicles and containers outside the port premises. A CFS is designed to handle Import Containerized Cargo and Motor Vehicles. The Cargo is received directly from the vessel and transferred after documentation through KRA Customs and securing port charges. Container Freight station was emerging as a major sub-sector in the shipping industry, as 'shrewd investors steadily move in to cash on this logistic solution'. Though the concept of container freight stations is relatively new, the site quotes that those venturing into it say that such terminals have a bright future considering the trend of port authorities commercializing cargo handling services.

The Kenya Shippers Council in 2009 had made recommendations to the Ministries of Transport and Finance, Kenya Revenue Authority (KRA) and the Kenya Ports Authority (KPA) on how to decongest the port of Mombasa. They indicated that since 2006, Port operators had made several initiatives in response to growing concerns over increased congestion and delays of cargo clearance. According to KPA *'Annual Review and Bulletin of Statistics'* (2010) on port performance, Container handling capacity has been a major challenge at the port, since the current container terminal, initially designed to handle 250,000 twenty foot equivalent units (TEUs) handles over 600,000 TEUs as per the table extract below.¹

| Container Traffic , 2006 – 2010 in TEUs | | | | | |
|---|---------|---------|---------|---------|---------|
| YEAR | 2006 | 2007 | 2008 | 2009 | 2010 |
| CONTAINERS | 479,355 | 585,367 | 615,733 | 618,816 | 695,600 |

¹Source: KPA Annual Review and Bulletin of statistics,(2010, Table 5 pg.9)

According to KPA due to the concept of CFS, container population at the port had been reduced from 14,300 TEUs ground slots in 2008 to 6,000 containers by 2009.

By the end of year 2010, in Kenya there were ten (10) Container Freight Stations, as per the attached Appendix.

1.2 Research Problem.

To be successful, business has to not only recognize different elements of the environment but also respectfully adapt to or have to manage and influence them. A successful business has to identify, appraise, and respond to opportunities and threats in its environment. When the company ceases to adjust the environment to its strategy or does not react to the demands of the environment by changing its strategy, the result is reduced achievement of corporate objectives. From environmental analysis, strategists get time to anticipate opportunities and to plan to take optional responses to these opportunities. It also helps strategists to develop an early warning system to prevent threats or to develop strategies which can turn a threat to the firm's advantage.

According to the Indian government commissioned report of the interministerial Group on *'Customs Procedures and Functioning of Container Freight Stations and Ports'* (2005), concluded that with the growing volume of international trade, the need for expeditious clearance of goods at the port within minimum possible time has been gaining importance. This is more so when the ports are facing congestion. Further, for

optimal utilization of the existing infrastructure, space, equipment, goods that are landed at ports need to be evacuated straight away without any loss of time. Accordingly, the concept of container freight stations (CFS) has grown in importance along with the development and growth of ports.

These changes led the government parastatal Kenya Ports Authority (KPA) to adapt 'public-private partnership' hence the birth of the container freight stations as a business concept in Kenya, which as an extension of the port was to ease port congestion; allow faster cargo clearance and security of the goods and so enable quick turn around time for vessels. Operating a container freight Station requires huge financial outlay. According to Kenya Revenue Authority regulations (copy attached), the business premises must be within 10 kilometer radius of the Mombasa Port. On a land of not less than 2.5 hectares, complete with a railway siding. An applicant must pay a fee of ksh.2.5 million and have an average monthly revenue projection of ksh. 100million. This means that for one to be in this type of business, there are a lot of challenges in terms of land acquisition and the attendant costs that go into setting up the facility. Once it has been licensed the operator has to have the capacity in terms of equipment to run it and the logistical challenges.

Strategic Responses has been a choice area of study for many management students and practitioners. Most focused on a number of industries and have endeavoured to establish how various business and organizations respond to the changes in the environment. The findings of which reveal varied response strategies geared toward trading off competition and ensuring survival and profitability. For instance Njau (2000) in his study of East

Africa Breweries Limited concluded a change in competitive position would necessitate a company to have a strategic shift to remain competitive. Kiptugen (2003) when studying the case of Kenya Commercial Bank's strategic responses to changing competitive environment found out that economic decline, legislative changes, increasing level of education and technological advances had adverse effects on the banking sector. KCB responded by structuring, using differentiated marketing strategies, IT strategy and culture change amongst its employees, to ensure it remained competitive.

However, no study has been carried out on the CFS business concept; their operating environment and their response to environmental challenges. Hence very little is known of this business concept .Thus this study will endeavor to answer the question: How do Container Freight Stations respond to challenges in the business environment?

1.3 Research Objectives

The objectives of this study were:-

- a) To determine the challenges Container Freight Stations face in their business environment; and,
- b) To establish the strategic responses adopted by Container Freight Stations to mitigate the challenges faced.

1.4 Value of the Study

It is hoped that this study will be of importance in a number of ways and fields.

First, to management practitioners, this study will provide CFS operators and managers of CFSs with information on the nature of strategic issues affecting their businesses and a fresh overview of their operating environment. Secondly, to scholars, the study will add to the existing pool of knowledge on strategic responses adopted by various firms, and specifically by these business enterprises known as container freight stations, their operations and benefits and the challenges they face. It will also form a basis for future research works given the design of this study

To the Policy makers, especially the Ministry of Finance, the Kenya Ports Authority and Kenya Revenue Authority and other government agencies, will have a basis for future policy formulation. The policies are two-edged, either for spurring CFS growth or regulating their operations in line with the emergent operation framework. Last but not least, to potential investors in this sector, the study will be beneficial to them as they will get information of the nature of the business environment and the possible opportunities and challenges in establishing and managing the CFSs and strategic issues they are likely to encounter in the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1. Organisation and the Environment

Organisations do not function in a vacuum, rather they are open systems which operate in and are influenced by environmental forces. Andrews (1971) likened an environment to a pattern of all the external conditions and influences that impacts a firm's life and development. He proceeded to further classify environment into five areas namely, technological, economic, physical, social and political. However, Bourgeois (1980) classified the environment as consisting of two layers; the task environment which include sectors such as customers, suppliers, and competitors having a direct transaction with the firm. Then there is also the general environment which is composed of social, demographic and economic factors that are remotely linked to the organisation, even though they have indirect influence on its operations.

Environment is never constant, and given its composition and the forces therein, it presents unique challenges to firms and their management. According to Suarez and Oliva (2005), it is when there are 'radical or discontinuous' environmental changes that firms or organisations are most challenged to adapt. Pearce and Robinson (1988) affirm that strategy helps an organisation to cope with changes in the environment. External environment in which firms operate is constantly changing and firms are thus forced to react favourably against these changes. According to Grant (2000), survival and success of an organisation occurs when an organisation adopts a strategic fit between its strategy and the environment; and also a strategic match between its internal capabilities and the strategy

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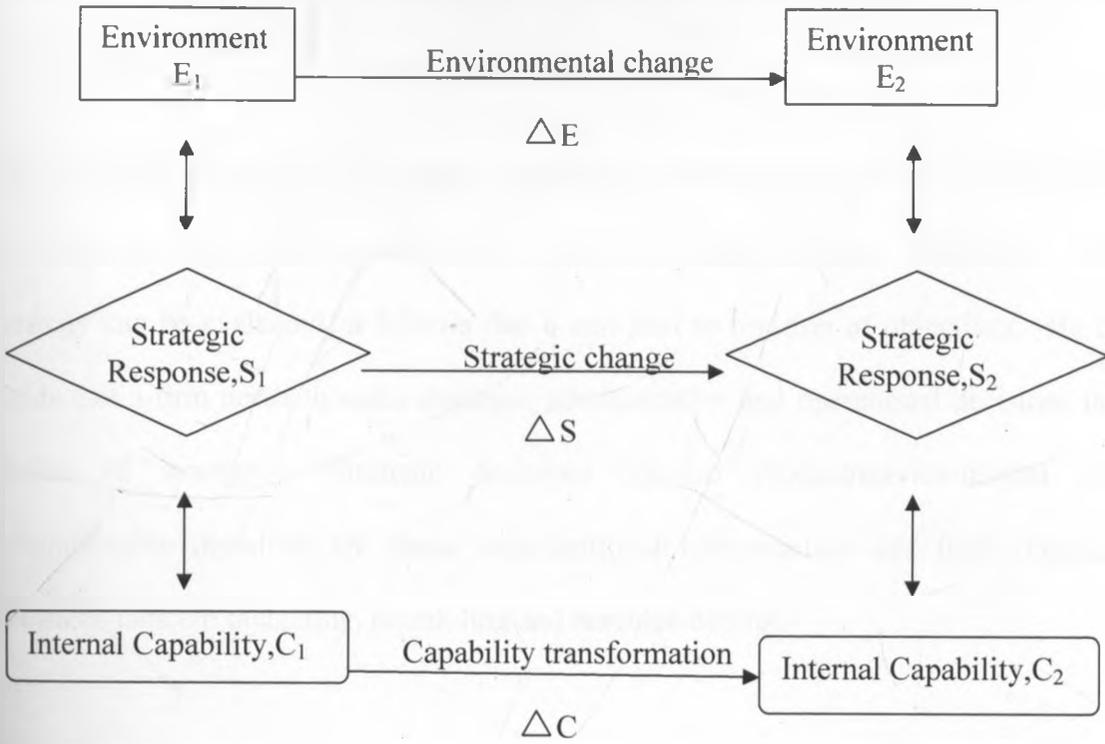
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Johnson and Scholes(2006) in their book, 'Exploring Corporate Strategy' writes that strategic management includes identifying the impact on strategy of the external environment vis-à-vis an organization's strategic capability or competencies and the expectations and influence of stakeholders. This they called strategic positioning, whereby by matching resources and high level competencies in particular activities, a firm can derive competitive advantage. For organizations like container Freight Stations which offer cargo handling services, competitive advantage lies on customer perception of intangible features like speed of delivery, soundness of advice given, attitude of staff, the ambience of offices amongst other variables.

Chandler (1990) noted that internal capability include the firm's collective physical facilities and skills of its employees, and in particular, the abilities and expertise of the top management layers. These included the ability to offer excellent customer service and the capability to deploy a given mix of resources, seen as critical or key success factors as far as the realization of competitive advantage is concerned. If organisation strategy is not matched with its environmental change, then a strategy gap arises. Organisations must therefore scan their environment and duly shift their strategies with changes in the environment and match the firm capabilities to the selected strategies in order to ensure survival and relevance.

According to Ansoff and McDonnell (1990), major escalation of environmental turbulence means a change from the familiar world, to that of new things, new technologies, new competition, new customers, and a new dimension of social control,

and above all, an unprecedented questioning of the firm's role in society. This relationship between the organisation (in terms of its Strategy and internal capabilities) and the environment is well captured figuratively by Ansoff and McDonnell as hereunder.²



2.2 The Concept of Strategy

Chandler (1962) defines strategy as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. From the foregoing, strategy is both a goal-setting process, and a process for planning for the actions and resources needed for the attainment of these goals. This way, strategy can be seen as a clear articulation of where a firm wants to be, its vision and what needs to be done, or the means to reach it.

² Source: Ansoff and McDonnell (1990, pg.40)

Porter (1979) has defined strategy as “Creation of a unique and valued position involving a different set of activities. The company that is strategically positioned performs different activities from rivals or performs similar activities in different ways”. The people who believe this version of the definition call strategy a unified, comprehensive and integrated plan relating to the strategic advantages of the firm to the challenges of the environment

Ansoff (1965) seeks to draw a dividing line between the firm’s objectives and its strategy. However, he says the two are closely related as strategy follows objectives. Since strategy can be evaluated, it follows that it can lead to revision of objectives. He thus holds that a firm needs to make strategic, administrative and operational decisions in its choice of strategy. Strategic decisions concern product/service-market aims, administrative decisions are about organizational infrastructure and lastly operating decisions concern budgeting, scheduling and resource control.

Steiner (1979) on other hand sees strategy in terms of what top management does which is of crucial importance to the organization. That is, in terms of basic directional decisions about purposes, mission and actions to be taken in order to realize these goals. Steiner says strategy answers these basic questions; what should the organization be doing, what are the ends that an organization is seeking and how should it reach these ends? Thus strategy has to do with top management’s choices for direction and the means of navigating a firm to a desired end goal.

Nickols (2006) asserts that strategy bridges the gap between policy and tactics. He sees strategy as the means by which policy is effected and together with tactics, strategy

bridges ends and means. It is therefore the route or direction taken by policy makers to achieve their aspirations or end results. Strategy leads an organization into what he calls customer solution or simply put, producing goods and services that solve customers' needs and wants.

Thus from the foregoing discussion, we can discern the following:

First, strategy has been used as a major course of action through which an organization relates itself to its environment particularly the external factors to facilitate all actions involved in meeting the objectives of the organization. There is also the school which sees strategy as the blend of internal and external factors. To meet the opportunities and threats provided by the external factors, internal factors are matched with them

Other Literature has strategy conceptualized as the combination of actions aimed to meet a particular condition, to solve certain problems or to achieve a desirable end. The actions are different for different situations

Pearce and Robinson, (2007) in their book, Strategic management, write that due to its dependence on environmental variables, strategy may involve a contradictory action. An organization may take contradictory actions either simultaneously or with a gap of time. For example, a firm might be engaged in closing down of some of its business and at the same time expanding some. They thus see strategy as future oriented and that strategic actions are required for new situations which have not arisen before in the past.

The purpose of strategy is to determine and communicate a picture of enterprise through a system of major objectives and policies. Strategy is concerned with a unified direction

and efficient allocation of an organization's resources. In conclusion, most literature spell that a well made strategy guides managerial action and thought. It provides an integrated approach for the organization and aids in meeting the challenges posed by environment.

2.3 Factors Influencing the Business Environment

According to Yabs (2007), the environment in which businesses exist in have an impact on their operations. For any organization, its strategy and strategic decisions are concerned with a number of issues. First matching of an organisation's activities to its environment; values, expectations and goals of those influencing strategy; the scope of an organisation's activities, that is what it does or does not do. Second is matching of an organisation's activities to its resources, otherwise known as organizational capability. Allocation of major resources in an organization; Direction an organization will move in the long term; Implications for change in the whole organization. These choices are usually complex, and so require constant scanning of the environment and realigning its operations to the emergent environmental challenges.

Ansoff (1965), when analyzing the business environment, identified the five PESTEL factors (political, economical, social, technological, ecological and legal factors). PESTEL analysis is a scan of the external macro-environment in which an organisation exists. It is a useful tool for understanding the political, economic, socio-cultural and technological environment that an organisation operates in. Political factors can include things like employment laws, environmental regulations and tax policy. Other political factors are trade restrictions and political stability and provision of services by the municipal/city councils.

Economic factors affect the cost of capital and purchasing power of an organisation. Economic factors include economic growth, interest rates, minimum wage guidelines; exchange rates, regional trading treaties and inflation rates; Social factors impact on the consumer's need and the potential market size for an organisation's goods and services and include local population growth, norms and work ethics, migration flows; Technological factors influence barriers to entry, make or buy decisions and investment in innovation, such as automation, investment incentives and the rate of technological change. They include the use of internet and other social networks; Ecological/environmental concerns include local waste issues, NEMA regulations; and Legal framework like the licensing regimes both by local and central governments and planning permissions. All these have a direct bearing on a business operation.

According to Njogu (2007), while discussing the findings of her research work asserted that technological changes posed a challenge to the firm as it calls for investment in highly qualified technicians/operators for the schindler lifts. This in turn was found to lead to high budgetary allocations for training staff and purchase of specialized tools and equipment. She also looked into the effect of information and communication Technology (ICT), and found out that these affect operations and so calls for efficiency in operations as customers are more aware of the market and so have the freedom to choose who their service providers are. Thus there is need to improve response time and to provide superior value added services to the clients if a firm aims to be ahead of competition.

Yabs (2007) identified factors that make the business environment turbulent. These included unstable governments, wrangling political parties; changes in political dispensation like devolution, frequent changes in government policies, electoral law changes, insecurity, corruption, poor infrastructure, piracy, trade union strikes and restless civil societies.

Porter (1979) explains that the core reason and spirit behind strategy formulation, by any organization, is coping with competition. To him, competition, which depends on the industry structure as determined by five forces (the bargaining power of supplier, the bargaining power of the buyer, the jockeying for position, threat of new entrants and threat of substitute goods and services) is not necessarily bad luck. The goal of strategy is to position a company in the industry in a way that it can best defend itself against the forces or in a way that it can influence them in its favour. The strategic agenda of a company stems from understanding the underlying causes of these forces in an industry. Clearly, Porter sees strategy as a way of achieving competitive advantage over rivals and what a firm should do to attain desired profit levels.

2.4. Organisations Response Strategies

Pearce and Robinson (1988) defined strategic response as the set of decisions and actions that result in the formulation and implementation of plans geared towards the realization of the firm's goals or objectives. Strategic responses to changes in the business enterprise can be gradual or sudden. The pace of change is dependent on the degree of

environmental turbulence. Thus as the environment changes, firms must adopt new strategies to match the changing environment. And as we have seen before, it must also have the internal capability to fit the strategy into the changed environment.

According to Rarton and Martin (1998), managers have three options while responding to environmental influences. First, adapting to environmental influences or elements; or attempting to influence the environment in their favour; and lastly, shifting the domain of operations from the threatening environmental elements towards beneficial ones.

According to David (2001), strategies that a firm can pursue are classifiable into intensive strategies; diversification strategies; defensive strategies; joint ventures and strategic alliances. He notes that these strategies are complementary and so do not operate in isolation. Intensive strategies are marketing based and so require effort on the part of the firm to improve performance and ensure competitive advantage. They include market penetration whereby a firm seeks to increase its market share for present products or services in the present market; also can use product or service development in which a firm seeks to increase sales by improving or modifying present offerings. The thing with intensive strategies is that they require large research and development (R&D) and promotional kitty, thus huge financial outlays.

The next group of strategies, according to Johnson and Scholes(2002), are diversification strategies, which can either be related or unrelated, but which when adopted by a firm results in synergies in terms of products/services, markets, technology and competences.

Related diversification has been attributed to involve both backward and forward integration. Other literatures call them Integration strategies. Backward integration

involve seeking ownership or increased control over firm's suppliers; or concern with inputs into the current business portfolio, like machinery and labour. Forward integration is concerned with outputs or gaining ownership or increased control over distribution channels, like transport, repairs and after sales service or follow ups.

The next sets of strategies are called defensive strategies. These arise out of a firm's need to be secure or stable. Amongst these are joint ventures where two or more sponsoring firms forming a separate organisation for cooperative purposes. Then there is the use of Retrenchment as a strategy whereby a firm regroups through cost and asset reduction to reverse declining sales or profit, or basically to remain afloat during turbulent times. A firm can also employ divestiture, selling a division or a part of the organisation. Firms can also operate joint ventures when they see a need to capitalize on some opportunities or just strategic alliance.

2.5. Functions and Benefits of Container Freight Stations

According to 'Guidelines for setting up Inland Container Depot (ICD) and Container Freight Station(CFS) in India', the primary functions of CFS may be summed up as under: Receipt and dispatch/delivery of cargo, Stuffing and stripping of containers, Transit operations by rail/road to and from serving port, Consolidation of cargo, and Temporary storage of cargo and containers. The main benefits from CFSs include concentration points for long distance cargoes and its unitization(breaking of bulk).; Service as a transit facility; Reduced level of demurrage and pilferage; Reduced overall level of empty container movement.; Competitive transport cost: Reduced inventory cost and Increased trade flows. Stakeholders in CFS operations include

importers, shipping lines, freight forwarders, port authorities, Kenya Revenue Authority amongst others. The CFSs have handling equipment for loading, unloading of containers from rail flats, chassis, their stacking, movement, cargo handling, and for stuffing and destuffing,

The main function of a CFS being receipt, dispatch and clearance of containerised cargo, the need for an up-to-date inventory control and tracking system to locate containers and cargo is paramount. Each functional unit of the facility (like rail siding, container yard gate, stuffing/destuffing area, etc.) should have up-to-date and where possible on-line, real time information about all the containers, to meet the requirements of customers, administration, railways and other stakeholders. As far as possible, these operations should be through electronic mode.

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter outlines the general methodology used to conduct the study. It specifies the research design, population of the study, data collection instruments and the data analysis framework.

3.1. Research Design

The study employed a survey research design. Given that the population of interest is limited, the whole was studied in this case. When a whole population is involved, we have a census. Cooper and Emory (2003) contend that survey research has been found to yield data that researchers use to establish relationships between priorities and dispositions; and that they are more efficient and economical as a design method. A survey study allows for in-depth understanding of challenges of specific responses.

3.2. Population of the Study

The population of interest in this study were all the Container freight Stations in Kenya. Given that the regulations on licensing limit the geographical distribution of these businesses to a ten (10) kilometer radius of the Mombasa Port, they are mainly based in Mombasa. A list identified by Kenya Revenue Authority, as the licensing organ, was used. A census is appropriate when the population is small

3.3. Data collection Method

There are only 10 CFSs and so a census of the whole population was undertaken in this study. Such a census is considered appropriate because the population of study is relatively small. Primary data collected with the help of a questionnaire put through the CEOs/ top manager of the Container Freight Station, or their designated representative. Cooper and Emory (2003) assert that the questionnaire avoids pitfalls that can impact the validity and reliability of the data collection. Anonymity insures more valid responses. Response quality is better because respondents may gather and consult sources needed to respond well. The questionnaire captured information on the state of operating environment, the strategic management tools like strategic plans of the various firms and the challenges and responses adopted by the various CFSs. It is worth noting that in an exploratory survey, use of likert-scale questions was adopted. A letter of introduction was delivered to all the CFSs after an appropriate notice vide a phone call was placed to the management of the CFS. The basic data collection tool adopted was the 'drop and pick later' technique, and personal/phone follow ups.

3.4. Data Analysis

Once data was gathered in the field, it was edited for consistency and completeness. The study used content analysis .Content analysis is a summarizing, quantitative analysis that relies on attention to objectivity, reliability, validity, generalisability and replicability, and is not limited as to the types of variables that may be measured or the context in which they are presented. It also does not restrict respondents on answers and so has a potential of generating more information with much detail.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

The main objective of this study was to determine the strategic responses of Container Freight Stations in Kenya to challenges in their business environment.

Data was collected from 9 CFSs out of a possible 10 which represents a response rate of 90%. This is acceptable according to Mugenda and Mugenda (1999) who proposes a response rate of over 70% and over as very good for analysis and reporting.

4.2. Data Analysis

The following are the findings of the research for the various aspects for which questions were posed to the respondents.

1. The Container Freight Station surveyed (table 1)

| NAME OF CFS | Response | %(OUT OF 10) |
|--|----------|---------------|
| a. Compact Freight systems ltd | 1 | 10% |
| b. African Line terminal & Logistics ltd | 1 | 10% |
| c. Awanad Enterprises Ltd | 1 | 10% |
| d. Consol base ltd | 1 | 10% |
| e. Mombasa container terminal | 1 | 10% |
| f. Interpel Investments CFS | 1 | 10% |
| g. Mitchel Cotts Freight (K) ltd | 1 | 10% |
| h. Kencont Logistics ltd | 1 | 10% |
| i. Boss freight Terminal Ltd | 1 | 10% |
| j. Portside freight terminals ltd | 0 | 0 |
| TOTALS = 10 | 9 | 90% |

Out of the targeted population, the researcher realized 90% response rate with one CFS only expressing reservations at participating. Various follow up visits did not yield as the Director was either busy or in a meeting and the initial designated representative saying that the issues raised in the questionnaire were too confidential. But as said before, the realized response rate is good for research purposes.

Going forward, the listed CFSs will be as coded from letter (a) to (i).

2. Year of Establishment (table 2)

| CFS | A | b | C | D | E | F | G | H | i |
|-----|------|------|------|------|------|------|------|------|------|
| YoE | 2008 | 2006 | 2004 | 2003 | 2004 | 2004 | 2001 | 2002 | 2006 |

The data shows that a majority of the CFSs were established in 2004 and 2006(5/9 surveyed). It also shows that these are a relatively new business concept due to the age of the firms, from 2001 when the first one was established. By the time of this research, they will have been around for only 10 years.

3. The position of the Respondents

The respondents ranged from Managing Directors (2), General Managers (3), operations manager (1), Warehouse Manager (1), Yard manager (1), and Finance Manager (1). These were either CEOs or their designated nominees. The essence of this is to bring out the fact that the researcher was in a position to get response from senior managers who have authority in these firms and thus infer more reliability on the data collected.

4. Approximate Distance from the Mombasa port to the CFS (table 3)

| CFS | a | b | C | d | e | F | g | h | I |
|---------------|-----|---|---|---|-----|-----|---|---|-----|
| Distance(kms) | 9.3 | 9 | 5 | 3 | 3.5 | 0.8 | 2 | 3 | 2.8 |

The majority of the Container Freight stations (7/9 or 78%) are situated 5km and below from the Mombasa Port. Only two are 9Kms away.

Distance from the port is critical in two aspects, the regulations demand that the CFS be within 10km radius from the port, secondly it presents opportunities and challenges to the various CFSs. Proximity lowers the turn around time and so can impact one's turnover.

5. Approximate number of containers handled and turn over per month

(Table 4)

| CFS | a | b | C | D | E | f | G | h | i | TOTAL |
|------------------------------|------|---|------|------|------|------|------|-----|-----|-------|
| Containers (TEUS/MONTH) | 1500 | 0 | 1000 | 5000 | 2300 | 600 | 1500 | 0 | 7 | 11907 |
| Turnover/month (in millions) | 35m | 0 | 12m | 15m | 80m | 120m | 50m | 20m | 30m | |

It is worth noting that majority of CFSs (5/9) handle 1000TEUS and over in a month. However the two which had zero (0) are CFSs which handle only motor vehicle units, while the one which handles 7 containers a month is principally a vehicles CFS and these are the few containerized units which are cleared from this CFS.

The respondents were also asked about their turnover per month. These range from 12million to 120million. Majority have a below 50million turnover per month. These figures seemed depressed and not in sync with KRA requirements of ksh.100million per month, a further follow up was done and all the managers expressed reservation that since they are not listed firms, they cannot disclose the exact turnovers. However, they said this can be found with the licensing Authority.

6. Major sources of CFS Revenue listed as including storage, handling, transfer, user fee, stripping/ re-marshalling, consolidation

7. Staffing Levels (table 5)

| CFS | a | b | c | d | e | f | g | h | i |
|---------------------|----|----|----|-----|-----|----|----|----|----|
| Number of Employees | 60 | 31 | 50 | 140 | 163 | 60 | 32 | 17 | 44 |

The distribution shows the need for an average of 67 employees for CFS operations, though it is worth noting that those facilities handling motor vehicles require less staffing levels.

The respondents were then asked to describe the challenges under the PESTEL framework in their business environment.

8. Challenges in the Business environment which have affected the operations of the CFS

8.1. Political environment.

The following challenges were identified; the manipulation of threat of new entrants; other contend that this only happens during elections; interference in licensing; regulatory interference; and uneven application of regulations; uncertainty

8.2. Government policies

Unrevised tariff plan for port/CFSs charges; lack of regulations governing CFSs or uncoordinated working of different government agencies (KPA/KRA/KMA); severe controls which are non-market oriented; adhoc /arbitrary changes without stakeholder consultation

8.3. Economic Factors

Acute competition and poor infrastructure/ road condition especially to those operators far from the port, fluctuation in exchange rates in international trade,

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8.3. Economic Factors

Acute competition and poor infrastructure/ road condition especially to those operators far from the port, fluctuation in exchange rates in international trade,

inflationary pressure leading to high operation costs, and lack of foreign direct investment into the sector. Also identified is unregulated oversupply of capacity leading to erosion of profit margins

8.4. Technological changes

Identifiable here included internet downtimes especially on KRA networks, power fluctuations, and lack of integration between the CFS/KPA/KRA systems. There is also the slow integration of financial systems in banks with that of businesses

8.5. Environmental Laws/changes

Most respondents did not have issues here terming it as having minimal impact; however a few identified NEMA regulations as stringent on waste disposal thus preventing the removal of abandoned cargo. One respondent sighted non-uniform application of the law.

The next section brought out the Issues of Strategic management and the responses.

9. Vision and Mission Statements

All the CFSs enumerated indicated they have a vision and mission statement. This is critical in assessing where a firm wants to go and what they are presently doing to get there; the mission is the organization's reason for existence, and vision is what it wants to be. A mission statement is a statement of the purpose of a firm, and it guides the actions of the organization, spelling out its overall goal, it also provides a path, and guide decision-making. It provides the framework or context within which the company's strategies are formulated

10. Strategic Plans

All the CFSs have a strategic plan. This helps in knowing how to reach your vision. A strategic plan is a road map to lead an organization from where it is now to where it would like to be in coming years. In order to determine where it is going, the organization needs to know exactly where it stands, then determine where it wants to go and how it will get there. The resulting document is called the "strategic plan."

11. Years covered by the strategic plans (table 6)

| CFS | a | b | c | d | e | f | g | h | i |
|-----------------|----|---|---|---|---|---|---|---|---|
| Plan period/yrs | 10 | 5 | 3 | 3 | 5 | 3 | 5 | 5 | 5 |

Majority of CFSs have 5 year plans (5/9 or 56%), followed by those adopting a 3 year plan (3/9 or 30%). In many organizations, the plan period is viewed as a process for determining where an organization is going over the next 3 to 5 years (long term), although some extend their plan period to 10 years.

12. Matching resource base and strategies (table 7)

| CFS | a | b | C | d | e | f | g | h | i |
|------------------------------------|----|-----|-----|-----|-----|-----|-----|-----|-----|
| If CFS has necessary resource base | no | yes |

8/9 or 89% of the surveyed CFSs indicated they have the necessary resource base to match their strategies and the challenges in the business environment. They quoted financial, material and human resource capabilities, noting that the strategic plan has to be done in relation to the expected capital investments as well as sources for getting finances. Others explained that they have a solid infrastructure and quality

management team supported by a high technical team to help them realize their vision. One CFS discussed that being part of a large multinational, they enjoy group synergies and economies of scale. One talked of riding on good local and international reputation.

However, 1/9 or 11% indicated that though they have the resource base, they cannot match their strategies because of the strict guideline for revenue collection set by the regulatory authorities (KRA and KPA). That financially they are restricted since the KPA set tariffs are really straineous for operations of the CFS.

13. Competitive Advantage

The respondents were asked what the CFS considered as their Competitive advantage. The responses were varied but included strategic location or proximity to the port for those island based CFSs. This ensured speedy or high turn around times hence cost saving or revenue maximizing for them.

Others, especially those that were considered as pioneers, considered experience and reliability as their advantage. Another considered customer service quality and integrity, while another cited equipment and quality of manpower as its superior advantage as far as logistics and handling is concerned. Safety and security of products was also quoted as a competitive advantage.

14. Extent of Impact by environmental factors

Gauging the extent to which a number of factors have impacted on CFS business operations. The respondents were asked closed-ended question which was scored

using a 5-point Likert scale, whereby 1 means not at all; 2 means small extent; 3 means moderate extent; 4 means large extent; and 5 means very large extent.

The **table 8** below summarizes the findings

| Factors | not at all | small extent | Moderate extent | Large extent | Very large extent | Total no. of respondents |
|--|-------------------|---------------------|------------------------|---------------------|--------------------------|---------------------------------|
| Logistics | 0 | 1 | 2 | 2 | 4 | 9 |
| sites/location | 2 | 0 | 1 | 1 | 5 | 9 |
| market share | 0 | 0 | 2 | 3 | 4 | 9 |
| Economic trends | 0 | 0 | 3 | 2 | 4 | 9 |
| labour/union politics | 1 | 4 | 3 | 0 | 1 | 9 |
| Internet | 0 | 3 | 4 | 0 | 2 | 9 |
| government policies | 0 | 1 | 2 | 3 | 5 | 9 |
| by laws | 2 | 1 | 4 | 2 | 0 | 9 |
| Provision of services by local council | 1 | 4 | 3 | 1 | 0 | 9 |
| local politics | 2 | 2 | 2 | 2 | 1 | 9 |
| threat of new entrants | 0 | 0 | 3 | 4 | 2 | 9 |
| customer satisfaction | 1 | 0 | 1 | 2 | 5 | 9 |
| staff training | 1 | 1 | 4 | 2 | 1 | 9 |
| calibre of workforce | 1 | 0 | 4 | 2 | 2 | 9 |
| Company overheads | 0 | 1 | 3 | 4 | 1 | 9 |
| Co .image | 1 | 0 | 1 | 2 | 5 | 9 |

Comparatively, majority of CFSs surveyed (4 out of 9) or (44%) identified these factors as having a great impact(to a very large extent) on their operations, logistics; site and location; economic trends; government policies; customer satisfaction and company image.

The threat of new entrants and company overheads were identified as having impacted the operations of CFSs to a large extent (again 4/9 at 44%).

Internet or online services; local government by-laws; staff training and the calibre of workforce, have a moderate impact

It was also found that the labour union politics and provision of services by the local council have little bearing on the operations of CFSs, being ranked to a small extent. Local politics or political dispensation was found to be evenly distributed in terms of impact from no impact, small, moderate and a large extent.

16. Linkage with a Shipping Line

The need to have a strategic linkage with a shipping line was found to be overwhelming with most saying this linkage enables marketing of 'door to door' services from the port of origin to the CFS by the shipping lines hence ensuring business continuity and predictability. It was also said to ease documentation like manifest details. The two divergent responses indicated that the CFS vessel nomination process being handled by KPA should be encouraged as it is not biased

17. Transportation Handling.

When discussing cargo handling and logistical support, respondents were asked how they handle transportation from the port to the CFS. A majority said they partly own their own fleet of trucks and also engage leasing services. This was found to be beneficial in the sense that it allows good control on movement of cargo; at the same time having your own fleet can allow one to negotiate good rates with out-sourced transporters as they know the cost. It allows swift and prompt transfer of containers from the port. Hence it's cost effective. The challenges of ownership of trucks was the operating and maintenance cost and the associated risks

The few who favoured leasing services indicate that dealing in lease contracts by transporters enhances service delivery, hence minimizes operational costs; no maintenance cost, and that costs related to staffing like salaries, medical etc are minimized. Also insurance premiums on cargo while on transit are borne by the transporter. Their identified challenge is the lack of control on allocation of trucks and also risk of pilferage as there is no commitment.

In analyzing this information, it is worth noting that there are CFSs which handle purely motor vehicle units, here the issue arising was the use of both dedicated drivers on company's payroll and the engagement of casual drivers as need arises. The benefits are more or less the same as it affects the human resource component of the firm. Casual drivers have a challenge of organizing and arranging for their employment when needed; and also selecting of quality drivers who will take care of customers' vehicles to avoid cases of theft of parts of vehicles or damage to the units before delivery to clients.

18. Strategies adopted by various CFSs (Table 9)

| STRATEGY | CONTAINER FREIGHT STATION | | | | | | | | | TOTAL |
|---------------------------------|---------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | a | b | c | d | e | f | g | h | i | Out of 9 |
| Aggressive marketing | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 8 |
| cost cutting | 1 | 1 | 1 | 1 | 1 | | 1 | 1 | 1 | 8 |
| operational efficiency | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | 1 | 8 |
| strategic alliances | | 1 | 1 | 1 | | | | 1 | | 4 |
| Diversification | | | 1 | | 1 | | 1 | | | 3 |
| image change | | | 1 | | 1 | | | 1 | | 3 |
| Out sourcing | 1 | 1 | 1 | | 1 | | 1 | | | 5 |
| integration | | | 1 | 1 | 1 | 1 | | | | 4 |
| use of technology | 1 | 1 | 1 | 1 | 1 | | 1 | | 1 | 7 |
| new product/service development | | | | | | | | 1 | 1 | 2 |
| TOTAL strategies used | 4 | 6 | 9 | 6 | 8 | 3 | 6 | 5 | 5 | |

All CFSs use a combination of three (3) or more response strategies. Also most CFSs (8 out of 9 or 89%) mainly have adopted Aggressive marketing of their services; cost cutting measures; and operational efficiency, in order to remain profitable. This is followed by the use of technology. Very few CFSs use diversification; image change and new product/service development as strategies.

19. Ranking of strategic responses and the extent of their impact to the CFS

(Table 10)

| Strategies | not at all | small extent | Moderate extent | Large extent | Very large extent | Totals out of 9 |
|-----------------------------|------------|--------------|-----------------|--------------|-------------------|-----------------|
| operational efficiency | 0 | 0 | 1 | 3 | 5 | 9 |
| Strategic Alliance | 4 | 0 | 0 | 2 | 3 | 9 |
| Diversification | 3 | 2 | 0 | 3 | 1 | 9 |
| Image change | 4 | 1 | 3 | 1 | 0 | 9 |
| Cost Cutting | 3 | 0 | 2 | 2 | 2 | 9 |
| Aggressive Marketing | 0 | 0 | 0 | 2 | 7 | 9 |
| Out sourcing | 2 | 1 | 3 | 2 | 1 | 9 |
| Integration | 4 | 1 | 1 | 2 | 1 | 9 |
| Technology use | 0 | 2 | 2 | 3 | 2 | 9 |
| Product/service development | 2 | 1 | 1 | 2 | 3 | 9 |
| merging of operations | 6 | 1 | 1 | 0 | 1 | 9 |
| Specialization | 5 | 1 | 0 | 1 | 2 | 9 |
| | | | | | | |

A majority of respondents (7/9 or 78%) who chose aggressive marketing strategy say that it impacts to a very large extent their businesses. The role of marketing thus achieved the highest ranked popular strategy favoured by most container freight stations.

Having identified operational efficiency as a crucial to the business of the CFSs, it was further pointed out that this is to a very large extent (5 out of 9 or 56%). Pearce and Robinson (2007) wrote that this is a specific strategic approach followed by firms which are keen to lead its industry in price and convenience by pursuing a focus on lean and

efficient operations. They further assert that firms that employ this strategy work to minimize costs by reducing overhead, reducing transaction costs, and optimizing business processes across functional and organisational boundaries. This is vital for the CFSs as they make money out of their speed and integrity of their logistical response. Firms that implement this strategy was found to typically restructure their delivery processes to focus on efficiency and reliability, use state of the art information systems that emphasize integration and low-cost transactions.

Product or service development was also favourably ranked with most users picking a large and a very large extent of its impact on their businesses. Again this strategy is based on the penetration of existing markets by incorporating new but related products which can be marketed to current customers through established channels, with the aim of taking advantage of a favourite reputation or brand name. For the CFS operations, this can be a positive experience of a client with the firm's initial service offering, like when cargo in container or as a single unit was properly handled, the client might want to consider storage services being offered by the CFS next time they have a business.

Strategic Alliance; image change; integration; merging of operations and Specialization were not considered by many container freight stations as strategies vital for their response profiles. However they are used in varied proportions and also as part of a combination of strategies. It is worth noting that the strategy of strategic alliance was considered vital by CFSs which have global/international linkages with shipping lines, and so they consider the alliance to a very large extent as having an impact on their operations.

20. Factors that have influenced the various responses taken by the CFSs

Some of the factors identified here included stiff competition and the regulatory framework both by Kenya Revenue Authority and the Kenya Ports Authority especially the issue of vessel nomination process of cargo going to the various CFSs; also identified was the need for customer satisfaction meaning the operators have to strive to be efficient and also have a reliable process; diminishing market share due to new entrants and the economic situation or the cost of running business.

21. Going forward, the strategies the CFS can adopt to remain viable

The respondents identified the need to capture major share of the market through aggressive marketing, while considering regional expansion of marketing as a great volume of cargo being discharged at the port of Mombasa are for transit to Uganda, DRC, Rwanda, and Southern Sudan; Cost management so as to continue improving on operational efficiency and safety and security of client's goods. Others identified the need for strategic linkage with shipping lines so that the shipping lines can market it as a chain service with 'door to door' delivery. Investing in state of the art equipment for cargo handling is crucial for those dealing with containerized cargo.

22. How the respondents visualize/see the business concept of CFSs in the next 5-10 years

From the feedback obtained, it seems this business concept is heavily dependant on the regulators' actions, be it Kenya Revenue Authority or Kenya Ports Authority. This is due to factors earlier mentioned which led to the rise of Container freight Stations.

One respondent says that internationally, business volume is growing and this I imply more cargo to be handled by the container freight stations in the next 5-10years

However, some respondents see the number of entrants into the market increasing and thus say the demand will weaken due to presence of many competitors, while the plan to privatize Mombasa port was identified as a threat to the viability of the industry. Others say the business will grow as they recognize also that Kenya Ports Authority have engaged contractors to dredge the port. Also pointing to the relationship with the port, one respondent says the future will be challenging considering the increased port capacity due to the construction of the new container terminal as planned by Kenya Ports Authority.

Another respondent sees increased capacity as KPA also have plans to convert the Mombasa port into a transshipment port. One says that they foresee improved service offering as the regulations are reviewed to allow free market forces operate unlike the current situation where cargo movement is curtailed by the KPA nomination process.

All in all, this business concept is pegged on public-private partnership (PPP) where privately owned Container Freight Stations are enjoined in decongesting the port at the same time delivering quality service to their clients.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of Findings

A total of 9 out of the possible 10 targeted population participated in the study, thus representing a 90% response rate.

The objectives of the study were two fold.

First objective was to determine the challenges Container Freight stations face in their business environment. The findings show that CFSs face a number of challenges which include from the most immediate layer comprising intense competition and threats of new entrants into the market. The government policies or the regulatory framework was also identified as presenting a challenge to the business as CFS acquisition of cargo is controlled through a nomination process by Kenya Ports Authority. The internet as a tool of transaction was identified also as providing a challenge to operations, especially the frequent downtimes experienced. Logistics, site and location had a great impact on the business environment, and this was further corroborated when correspondents were unanimous that proximity to the port helps in control and cost minimization. The container freight stations were found to generate revenue from handling; storage and transfer of units and containers. The challenge arising from this is the speed and efficiency of the whole process so as to ensure customer satisfaction and lowering of overheads. The challenge of unstructured regulation of the industry was also mentioned

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However, it was also found that local government by-laws play little role in the operations of Container Freight stations. Again unlike the Port which has Dock workers Union politics alive and very significant, the CFSs business environment is not affected by labour laws and workers union politics.

Also playing a key role in CFS operations is the issue of having a strategic linkage with a shipping line. Though not a big challenge, but it works as a competitive advantage in light of marketing of services and in supply chain management.

The operating environment has to make a strategic decision of engaging both leasing services and having own fleets of trucks to help in handling transportation/ transfers from the Mombasa port to the CFS. It was also found that motor vehicle handling CFSs have to engage both full-time and casual drivers, each with its varied benefits and challenges, but having a mix of the two was preferred.

The political environment in terms of changes, was said to have an impact only during electioneering periods, hence was considered minimal challenge.

The economic fluctuations both the exchange rate; inflationary pressure and the general economic downturn was identified as a challenge.

The second objective of this study was to establish the strategic responses adopted by container freight stations to mitigate the challenges they face.

First it was imperative to establish the use of strategic management tools in these CFSs. It was found that all the CFSs have vision and mission statements around which they have fashioned strategic plans mostly ranging between 3-5 years. This provides the managers with a clear focus on needs and resource base marching with the strategies.

The findings revealed that the container freight stations employed a combination of three or more strategies to help them remain viable. The most used strategies included aggressive marketing; operational efficiency and cost cutting measures. It was also observed in this study that strategic alliance was favoured by freight stations which have international or multinational linkages as they benefit from synergies and scale economies from these.

Some which had specialized in one mode either of motor vehicle handling or container handling discussed the need for control to enhance efficiency. Some had merged operations to form single business units to handle both motor vehicle units and containers in-house, citing cost reduction and associated benefits.

All the surveyed container freight stations were out sourcing non-core services, thus reducing costs and enjoying expertise from elsewhere. This was identified on issues like the handling of transportation of cargo from the port

5.2. Conclusion

Organisations or firms and especially their strategic managers are frequently frustrated in their attempts to anticipate the environments changing influences. Despite the uncertainty and dynamic nature of the business environment, an assessment process that narrows even if it does not precisely refine the challenges and the possible response profiles is of substantial value practitioners in any given business field.

Container freight station is a relatively new and unique business concept, and just like all other businesses, they face many challenges which necessitated their having in place strategies geared towards responding to these challenges so as to remain viable and competitive. The challenges range from entry barriers due regulatory requirements to stiff competition and the ever present threat of new entrants. The most threatening challenge identified was the dependence on port efficiency challenges. That with the Kenya Ports Authority planning privatization and dredging services and building of second container terminal; and the expansion of global trade, the CFS business was seen to be facing stiff competition in 5-10 years time.

There is the general recognition that no one strategy can be used, but that a combination of strategies must be employed as there are the various environments the firm is faced with.

5.3. Recommendations

The Container Freight Stations play a key role in decongesting the port and are thus considered informally as an extension of the port. With rise in global/ international trade, this role is recognized under public private partnership (PPP) and so the concerns raised on the need to streamline regulatory policies and/or to allow free market forces to determine market efficiencies ,are critical options which need looking into so as to enhance competition and growth. This can also form part of a study on the impact of regulation of container freight stations.

Also there was the general concern of need to embrace technology with recommendation to have a seamless integration of the information systems of the regulators (KRA and KPA) and the CFS operators so as to enhance efficiency and monitoring. Once this is done, it can allow single window processing of documentation on cargo from the time they are manifested aboard a vessel/ship to the point of release/clearance from the container freight station.

There is little information on container freight stations, this was an exploratory survey and so captured the general issues on business environment of the CFSs, may be an in-depth case study should be undertaken of a single CFS or a study of one component of the environment, be it the remote or the operating environment.

5.4. Limitations of the Study

The data collection instrument was the questionnaire, which were dropped and later picked, however it was realized from some feedbacks that the interpretation by some respondents needed further clarification, leading to wastage of time on follow ups and the attendant bureaucracy of securing appointments with the top managers.

Another limitation was the time allocated to the project was limited hence leading to working overtime to realize the objectives of the Programme.

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APPENDIX I

LIST OF CONTAINER FREIGHT STATIONS (CFSs) IN KENYA

| CFS | ADDRESS |
|---|-----------------------------|
| 1. Boss Freight Ltd | P.O BOX 41594-80100 MOMBASA |
| 2. Kencont Logistics Services Ltd | P.O BOX 99646-80100 MOMBASA |
| 3. Mitchell Cotts Freight Station | P.O BOX 42485-80100 MOMBASA |
| 4. Portside Freight Terminal ltd | P.O BOX 73193-80100 MOMBASA |
| 5. Interpel Investments CFS | P.O BOX 86823-80100 MOMBASA |
| 6. Consol base CFS | P.O BOX 82324-80100 MOMBASA |
| 7. Mombasa Container Terminal (MCT) limited | P.O BOX 90263-80100 MOMBASA |
| 8. AWANAD CFS | P.O BOX MIKINDANI, MOMBASA |
| 9. COMPACT Freight Systems Ltd | P.O BOX 86232-80100 MOMBASA |
| 10. AFRICAN LINE TERMINAL (ALT) | P.O BOX 43021-80100 MOMBASA |

APPENDIX II

REQUIREMENTS FOR THE DEVELOPMENT OF A TRANSIT SHED

(From KRA Website www.kra.go.ke/customs downloads)

The following are conditions that must be met:

1. The proposed transit shed shall have:
 - (a) its entire surface area properly paved and suitable material, preferably paving blocks or tarmac, used to cover the surface;
 - (b) its surface area enclosed by a perimeter stone wall of a height of not less than 3 metres from the ground with an electric fence fitted on the top of the wall.
 - (c) floodlights installed to light up its entire surface area;
 - (d) provision of office space installed with computer and such other suitable office equipment for use by the resident customs officers;
 - (e) computer software that is interactive with that of customs and facilities for tracking of all the goods imported into the shed;
 - (f) a building of not less than 3000 square feet, suitable for use as a customs warehouse;
 - (g) provision of separate facilities, including loading and offloading facilities, for the verification of imports
2. A person shall not be qualified for appointment to operate a transit shed if that person, or, where the applicant is a company, that company or the director of that company, has any outstanding tax liabilities.
3. An application for appointment to operate a transit shed shall be made in such form as the Commissioner may prescribe and shall be submitted together with the relevant architectural drawings; and a fee of two million five hundred thousand shillings.
4. Upon being appointed to operate a transit shed, the appointee shall execute a security bond in Form CB 18 to cover the goods in the transit shed. Every consignment from the port to the transit shed shall be covered by a bond executed in Form CB 2.
5. The transit shed must not be located more than 10 kms from a sea port.
6. A transit shed shall :
 - (a) only be located in plots of not less than 2.5 hectares.
 - (b) have a railway siding.
7. An operator of a transit shed shall seek the Commissioner's approval before consolidating sea cargo.
8. The transit shed must have an average monthly revenue of at least Ksh.100 million.

**APPENDIX III
LETTER OF INTRODUCTION**



UNIVERSITY OF NAIROBI
P.O. Box 30197-00100
NAIROBI, KENYA

REF: D61/7473/2006
Peter Ajuoga Olali
Email: apetol2003@yahoo.com
Tel: +254 721 213 130

Thro': Coordinator
Mombasa Campus

15th August 2011

Dear Respondent,

RE: LETTER OF INTRODUCTION

**STRATEGIC RESPONSES OF CONTAINER FREIGHT STATIONS (CFSs) IN
KENYA TO CHALLENGES IN THE BUSINESS ENVIRONMENT.**

Mr. Peter A. Olali is a post graduate student at the University of Nairobi undertaking the above subject Research project study in partial fulfillment of the requirements for the award of the MBA Degree in the Field of Strategic management.

In order to realize this objective, we hereby humbly request your assistance and cooperation in filling the attached questionnaire. This is an academic exercise and the information provided through your responses will be treated with strict confidence and under no circumstance will your name be mentioned in the report. Further confidentiality will be ensured through the necessary coding of the survey findings.

A copy of the research findings will be submitted to your office upon request.

Thanking you in advance.

Yours Sincerely,

.....
OLALI PETER A.
Student

.....
DR. JOHN YABS
Supervisor

APPENDIX IV
SAMPLE QUESTIONNAIRE

SECTION A.

1. Name of the Container Freight Station (CFS).....
2. Year of Establishment.....
3. The position of the Respondent in the Organisation.....
4. The Approximate Distance of the CFS from the Port.....
5. The Approximate number of containers handled per month.....
6. The Approximate CFS turnover per month.....
7. Can you list the CFSs' major sources of revenue
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
8. What is your staffing level (the number of employees).....
9. Describe the challenges in the business environment which have affected your operations:
Political environment.....
Government policies.....
Economic factors.....
Technological changes.....
Environmental laws/changes.....

SECTION B

10. Does the Company have a Vision and Mission Statement? Yes/no.....
11. Does the company have a Strategic Plan...?
(yes/no).....
12. If yes, the plan covers how many years.....
13. Does your CFS have the necessary resource base to match your strategies and the business environmental challenges?.....(y/no)... *(please explain)*.....
.....
.....
.....
.....
14. What does your CFS consider as its competitive advantage?.....
.....
15. In a scale of 1-to-5 whereby
 1. Not at all
 2. Small extent
 3. Moderate extent
 4. Large extent
 5. Very large extent

To what extent have the following factors impacted on your business operations?

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. Logistics | | | | | |
| 2. Sites and location | | | | | |
| 3. Market share | | | | | |
| 4. Economic trends | | | | | |
| 5. Labour laws/union politics | | | | | |
| 6. Internet/online services | | | | | |
| 7. Government policies | | | | | |
| 8. Local government by-laws | | | | | |
| 9. Provision of services by the local council | | | | | |
| 10. Local politics/political dispensation | | | | | |
| 11. Threat of new entrants | | | | | |
| 12. Customer satisfaction | | | | | |
| 13. Staff training | | | | | |
| 14. Calibre of workforce | | | | | |
| 15. Company overheads | | | | | |
| 16. Company image | | | | | |
| 17. Others (specify)..... | | | | | |

16. Is there a need to have strategic or otherwise linkage with a Shipping line/company? (yes/no).....
17. Please explain your answer above.....
18. How does the CFS handle transportation from the Port to the CFS
- i. Own Fleet of trucks
 - ii. Lease service
 - iii. Use Both (i)&(ii)
 - iv. None *(please tick as applicable)*
19. What are the Benefits of your choices above.....
20. What are the Challenges associated with the choices above.....
21. Which of the following strategies are adopted by your business organisation to remain profitable? *(tick as applicable)*
- i. Aggressive marketing
 - ii. Cost cutting
 - iii. Operational Efficiency
 - iv. Strategic alliances
 - v. Diversification
 - vi. Image change
 - vii. Out sourcing of non-core services
 - viii. Integration
 - ix. Use of technology/innovation
 - x. New product/service development

22. If your choices in preceding question are more than one then, on a scale of 1-to-5 how would you rank the strategic responses and the extent of impact to your organisation?

1. Not at all
2. Small extent
3. Moderate extent
4. Large Extent
5. Very Large Extent

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| a).Operational Efficiency | | | | | |
| b).Strategic Alliance | | | | | |
| c).Diversification | | | | | |
| d). Image change | | | | | |
| e).Cost cutting | | | | | |
| f). Aggressive Marketing | | | | | |
| g). out sourcing | | | | | |
| h).Integration | | | | | |
| i). technology usage | | | | | |
| j). product/service offering development | | | | | |
| k). merging of operations (single business unit) | | | | | |
| l).Specialization | | | | | |

23. What factors have influenced the responses taken by your CFS so far?
(Please explain)

.....

24. Looking forward, suggestions on strategies your CFS can adopt to remain viable?.....

.....

25. How do you visualize the concept of container freight stations in next 5-10 years.....

.....

Thank You