

**STRATEGIC RESPONSES ADOPTED BY KENYA PORTS
AUTHORITY TO THE ENVIRONMENTAL CHALLENGES**

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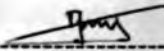
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

SEPTEMBER, 2011

DECLARATION

This research project is my original work that has not been presented to any other University or Institution of Higher Learning for examination.

Signed: -----

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This project has been submitted for examination with our approval as the university supervisors

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I would like to express my sincere thanks to Dr. John Yabs Lecturer at University of Nairobi MBA programme in School of Business for agreeing to supervise this research project that intended to examine the strategic responses of Kenya Ports Authority to changing environment.

I am grateful to my family for giving the invaluable support to concentrate on this research. Lastly I thank Almighty God as my source of all inspiration in allowing me to undertake this project that is too involving in terms of time and resources.

DEDICATION

My study is dedicated to my beloved wife and family for their continued support during the time I was carrying out this study.

Thank you and God bless you abundantly.

ABSTRACT

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy. Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. The Kenya Ports Authority forms a critical node of exchange for global trade. The port of Mombasa is a regional hub, serving 8 countries, Kenya, Uganda, Rwanda, Burundi, Eastern DRC, Northern Tanzania, Southern Sudan and Somalia.

To continue serving trade the port has contained the situation thru, use of IT, CFS, direct delivery, 24/7. Efficiencies derived from these actions have but a limited shelf life if volumes continue. The objective of this study was to determine the strategic responses towards external environment adopted by Kenya Ports Authority. This was a case study since the unit of analysis was one organisation. This was a case study aimed at getting detailed information regarding the strategic responses to changing environment in Kenya Ports Authority. The researcher used both primary and secondary data. Primary data was collected using self-administered interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. The interview guides consisted of open-ended questions. A content analysis was employed. The data was then presented in a continuous prose.

The study found that Kenya Ports Authority faced legal changes related to the new Port Act which were coming up with prudential guidelines for the ports, technological changes; economic factors, illegal entry of products, technological changes, political instability and terrorism. The planes and ship were monitored through a computer to track them down in case of an emergency. The various response strategies adopted by KPA were proactive to the changes in the corporation's external environment. The study concludes Kenya Ports Authority faced legal changes related to the new Port Act, technological changes; economic factors, illegal entry of products, technological changes, political instability and terrorism. KPA technology had taken

toll like adoption Information Communication Technology such as Management Information System (MIS), putting up of CCTV and mobile booking of flights. KPA had a powerful technological infrastructure supporting services such as multitasked environment, CCTV system, internal messaging system and fax gateway, automatic call distribution system and automated query handling systems. KPA should invest more on technology so as to ensure that they monitor everything that is done in the port. The organization need to improve its communication with the members and to make improvement on service delivery in order for its products to fulfill its clients needs.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today's global environment, change rather than stability is the order of the day. Increased trade liberalization reduces country-based trade barriers, thus increasing the opportunity for cross-border entry (Ellis and Williams, 1995). If new entrants have adopted new technologies and/or developed more efficient business operations systems, the competitive intensity will increase pressure of existing industry to internationalize by weakening their competitive position. Environmental forces of change are the forces which are increasing pressure for globalization of the legal industry and have led to trade liberalization and opening of the legal service sector. These forces have also increased the rate at which legal firms need to alter their strategies and structures in order to survive in the market, (Ansoff and McDonnell, 1990).

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). Aosa (1982) noted that industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changed environment.. According to Ansoff and McDonnell (1990), increased competition has created fundamental shift in economic environment whereas no organization can hope to stay afloat if it fails to come up with proper strategic responses. Terminologies such as retrenchment, mergers, rightsizing and cost reduction have become a routine for survival means.

1.1.1 Strategic Responses

Survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy (Kotler, (2000). Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy.

Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Three areas of a company strategy are important in identifying the

responses of a firm to its environmental challenges. These include objective setting, the vision and mission of the company, strategic, competitive strategy where after considerations of the firm's competitive strengths and weaknesses vis-à-vis competition and customer needs, the company establishes a position of competitive advantage (Lowes et. al., 1994). Ansoff and McDonnell (1990) noted that strategic responses involve changes in the firm's strategic behaviours to assure success in transforming future environment. Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (1998), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy.

The company's corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization. At a general strategic level Ansoff and Mc Donnell (1990), suggests three reasons why firms diversify. The objectives can not be achieved by continuing to operate in their existing market.

Environment has been characterized as complex, dynamic, multi-facet and having far reaching impact (Kazmi 2002). As a result, of these characteristics, the environment is composed of various factors, events, conditions and influence which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. A fundamental change is occurring in the world economy whereby the world economies are witnessing the forces of globalization and liberalization of trade. The

phenomenon of globalization, according to Hammond and Grosse (2003) refers to “the fact that people around the world are becoming more and more knowledgeable about each other,” this is expected to increasingly affect the aviation sector.

To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the corporate turnaround strategy. A turnaround situation is one of pointing out to a new direction. It is a complete change in strategic direction of a firm after it has faced a corporate distress. Such a situation can easily lead to collapse of a company unless a plan of corporate survival and renewal is devised and successfully executed. The starting point is identification of the root cause or causes of the crisis. Turnaround strategies are used when a business worth resuming goes into corporate crisis (Pearce and Robinson, 1997).

1.1.2 Kenya Ports Authority

Kenya Ports Authority (KPA) is a state corporation with the responsibility to maintain, operate, improve and regulate all scheduled seaports on the Indian Ocean coastline of Kenya, including principally Kilindini Harbour at Mombasa. Other KPA ports include Lamu, Malindi, Kilifi, Mtwapa, Kiunga, Shimoni, Funzi and Vanga. The KPA was established in 1978 through an act of Parliament and is located in Mombasa. <http://www.kpa.co.ke> accessed 8th.9.2011

Kenya Ports Authority is an original investor in Kenya National Shipping Line, a state corporation of Kenya formed in 1989. In 1989, the government of Kenya brought together the operation and regulation of existing ferry services, including the Likoni Ferry service at Likoni, Mombasa, into one subsidiary of the KPA, Kenya Ferry Services. The subsidiary was devolved to the status of an independent Kenya state corporation in 1998. KPA also owns various sports teams, including Kenyan Premier League team Bandari FC and a leading women's basketball club. <http://www.kpa.co.ke> accessed 8th.9.2011

Since its foundation, KPA has been working for facilitating sea borne trade in the most efficient manner by progressively benchmarking our operational targets to internationally acceptable standards.

Port Mombasa, as the major port of Kenya, annually handles about 0.5 million TEUs, 7.7 million DWT of dry bulk, and 4.9 million DWT of bulk liquid. It has an expansion plan targeting 1 million TEUs by 2010 and ranking top 20 out of the world ports, and in order to fulfill that plan, they have chosen TSB as their IT partner. It is noticeable that this project will achieve the optimal process for a multi-purpose terminal by integrating container terminal operation system, conventional cargo operation system, marine operation system, and enterprise resource planning system. KPA's vision is to be rated amongst the top twenty ports in the world in terms of reputation and performance by the year 2010, while its mission is to facilitate sea-borne trade in the most efficient manner by progressively bench marking our operational targets to internationally acceptable standards. <http://www.kpa.co.ke> accessed 8th.9.2011

1.2 Research Problem

The alignment between strategy and environment lies at the centre of strategic management. Correct alignment helps a firm maximize the economic benefits from resources, improve the effectiveness of operations, and boost the fulfilment of its strategic goals (Hill and Jones, 2001). Decisions by managers have a strategic impact and contribute to strategic change. The organization is shown as one of a number of competitors in an industry; and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others. These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction. The competitive environment is affected by market structure and profitability; the intensity of competitive rivalry and the degree of differentiation; market growth; the stage in the life of the products or services in question and the frequency of new product launches; capital intensity; and economies of scale (Johnson and Scholes, 2002).

When selecting the response strategy to be used by the organization, management usually undergo through the following analysis: Analyzing competitive environment which includes competitors' strategic move and market signals; Analyzing the industry by looking at discreet market segments, changes in industry structure and which strategic group to compete in. Select a generic competitive strategy based on identified target market segments, strategic options and SWOT analysis (Porter, 1998).

The Kenya Ports Authority forms a critical node of exchange for global trade. The port of Mombasa is a regional hub, serving 8 countries, Kenya, Uganda, Rwanda, Burundi, Eastern DRC, Northern Tanzania, Southern Sudan and Somalia. All the projects carried out by KPA are aimed at ensuring that capacity is created well before demand, to avoid past scenarios when port at times gets overwhelmed by the environmental factors. KPA infrastructure has in the past not kept pace with the throughput volumes, resulting in dreaded Berth and yard congestion, in worse scenarios shipping lines imposing VDS. To continue serving trade the port has contained the situation thru, use of IT, CFS, direct delivery, 24/7. Efficiencies derived from these actions have but a limited shelf life if volumes continue.

Locally, studies on strategic responses and changing environment have been conducted. Mutua (2004) did a survey of responses to changing environmental conditions which was a case of UON. Mpungu, (2005) carried out a research on strategic responses to changing environmental conditions whose focus was on AAR Health Services Ltd. Kashero, (2008) studied the strategic responses to changing environment at Lloyd Masika. Maina, (2008) did a research on the strategic responses to changing environmental conditions which centered its focus on Central Bank of Kenya. Other studies focusing on Kenya Ports Authority include Mwenda (1987) on perceived quality of port services; the case of Kenya Ports Authority. Tai (2007) a study of strategy implementation in Kenya Ports Authority, while Abdulaziz K. (2006) Strategic Planning at KPA. To date no study has ever focused on the strategic responses adopted by Kenya Ports Authority to counter changes in environment. This is despite the fact that the current changes brought about by globalization and economic crisis have had a great effect on the port hence affecting its strategic alignment to the environment. It is in this light that the researcher aims to fill the existing gap by carrying out a research on the strategic responses towards external environment adopted by Kenya Ports Authority. The research seeks to answer the following research questions

- i. How has KPA applied various strategic responses to the changing environment?
- ii. What are the changes in the environment in which KPA operates?

1.3 Research Objective

The objective of this study was to determine the strategic responses towards external environment adopted by Kenya Ports Authority.

The study was guided by the following objectives:

- i. To determine the application of various strategic responses to the changing environment by Kenya Ports Authority
- ii. To establish the changes in the environment in which KPA operates
- iii. To establish the strategies in which KPA responds to changing environmental factors

1.4 Value of the Study

The study would be important not only to KPA managers but also other managers in the public sector and to larger extent managers of other industries. It would help them understand the strategic responses in the changing environment and how its understanding can help different firms achieve competitive edge. The study would also help other managers know the methods used in gathering and applying competitive intelligence, which would help them improve their management styles. The study would also highlight other important relationships that require further research; this would be in the areas of relationships between firms' operating environment and the strategic responses to impact on their performance. The results of this study would also be invaluable to researchers and scholars, as it would form a basis for further research. The students and academics would use this study as a basis for discussions on strategic responses to the ever changing environment. The study would be a source of reference material for future researchers on other related topics; it would also help other academicians who undertake the same topic in their studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are strategy, environmental changes, organizations and their external environment, environmental economic factors, social factors, political factors, technological factors, ecological factors, environment and strategy, strategic responses, competitive strategies, diversification strategies, focus strategies, operational strategies, differentiation strategies and empirical studies.

2.1.1 Concept of Strategy

Strategy according to Johnson and Scholes (2002) is the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a changing environment and fulfils stakeholders' expectations. Strategy is certainly applicable when threats emanate from the more general environment, strategy analysts earn their stripes in circumstances in which rivals contest head to head.

Strategy refers to the machinery of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes 2002). According to Ansoff and McDonnell (1990), it is through Strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. He further argues that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, Systematic management of resistance during strategic implementation.

According to Porter (1980) strategy is about competition and the means by which an organization tries to gain a competitive advantage. He has described a category scheme consisting of three general types of strategies that are commonly used by businesses. The three generic strategies are as follows: strategic scope and strategic strength. Strategic scope is a

demand-side dimension and looks at the size and composition of the market to be targeted. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In addition, he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). Porter simplifies the scheme to the three best strategies: cost leadership, differentiation, and market segmentation. Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

Johnson and Scholes (2002), view strategy as the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a changing environment and fulfill stakeholders expectations. Boseman and Phatak (1989) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength.

Although strategy is certainly applicable when threats emanate from the more general environment, strategy analysts earn their stripes in circumstances in which rivals contest head to head. This is the fertile ground of strategy, the point-counterpoint of market competition. The field has moved beyond defining strategy as a formal plan (Mintzberg, 1994). Strategy may be the centerpiece or the object of a plan, but it is not a plan per se. A ploy may appear somewhat synonymous with strategy, but it is a narrower concept that perhaps corresponds more with tactics than with strategy. Perspective is an interesting concept. As used by Mintzberg, the term refers broadly to a firm's overall purposes and focus. As such, closely associating perspective with missions and values seems more appropriate than listing it as a possible definition of strategy.

2.2 Environmental Changes

In today's global environment, change rather than stability is the order of the day. Increased trade liberalization reduces country-based trade barriers, thus increasing the opportunity for cross-border entry (Ellis and Williams, 1995). If new entrants have adopted new technologies and/or developed more efficient business operations systems, the competitive intensity will

increase pressure of existing industry to internationalize by weakening their competitive position. Virtually, most industries across the globe are currently experiencing increased pressures for globalization, aviation industry included. Environmental forces of change are the forces which are increasing pressure for globalization of the aviation industry and have led to trade liberalization and opening of the aviation market. These forces have also increased the rate at which companies need to alter their strategies and structures in order to survive in the market.

To be successful overtime, an organization must be in tune with its external environment. There must be a strategic fit between the environment wants and what the firm has to offer, as well as between what the firm need and what the environment can provide (Wheelen and Hunger, 1995). The speed or response time to the environment challenges has been identified (Pearce and Robinson, 2005) as a major source of competitive advantage for numerous firms in today's intensely competitive global economy. It's thus imperative to quickly adjust and formulate strategies so as not to be overtaken by events. The emergence of environmental influences and their effect on firm strategy has gained tremendous traction in the management literature in recent years (Pearce and Robinson, 2005, Johnson and Scholes, 2002). Fueled by societal concerns over global warming, globalization, poverty, ecosystem destruction, and social degradation, environmental pressures have gained substantial attention in strategic management classrooms, corporate boardrooms and academic journals (Pearce and Robinson, 2005; Kazmi, 2002).

Pearce and Robinson (2005) state that economic factors concern the nature and direction of the economy in which a firm operates. Since consumption patterns are affected by the relative affluence of various market segments, each firm must consider economic trends in the segments that affect its industry. Some of the economic factors on both national and international level that managers must consider include general availability of credit, the level of disposable income, the propensity of people to spend, interest rates, inflation rates, and trends in the growth of the gross national product. The economic conditions affect how easy or hard it is for a firm to be successful and profitable at any time. A firm must therefore include these factors in its strategy formulation.

The social factors that affect a firm involves the beliefs, values attitudes, opinions and lifestyles of persons in the firms external environment, as developed from cultural, ecological, demographic, religious, educational, and ethnic conditioning, Pearce and Robinson (2005). As social attitudes changes so too does the demand of various types of products. Like other forces in the external environment, social factors are dynamic with constant change resulting from efforts of individuals to satisfy their desires and needs by controlling and adapting to environmental factors. For managers, informed judgment of the impact of changes in social; cultural factors are paramount.

Pearce and Robinson (2005) reckon that the direction and stability of political factors are major consideration for managers on formulating company strategy. Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firm's fair trade decisions antitrust laws, tax programmes, minimum wage legislation, pollution and pricing policies and administrative regulations. Some are meant to protect the firm and they include patents laws, government subsidies etc. Stewart and Champion (2007) found out that small enterprises in Ghana adapted to the competitive environment as a result of Structural Adjustment Programmes (SAPs), by altering their product mixes. This enabled these firms to complete with imports. Changes in product mix were prevalent in those sectors whose products were more vulnerable to competition from standardized imports. The firms also shifted their markets strategies by seeking newly opened market niches – further, in their endeavor to reduce cost, most firms changed their input sourcing behaviors⁵ and opted for chapter sources, most firms also shed labour in their bid to manage costs.

A political delay may occur if certain managers, whose domain contributes to the crisis, feel that the recognition of a crisis will reflect on their reputation and/or will cause them to lose power. Even if they are convinced that the threat is real, they will want to fight a delaying action to avoid becoming scapegoats, to gain breathing space to develop a line of defense, or to line up a line of retreat. Unfamiliarity rejection delay would contribute to other three if, as is typical in the Western managerial culture, the managers are trained to trust prior and familiar experiences and reject unfamiliar ones as improbable and invalid. These delays will substantially increase the total cost to the firm. Such response is referred to as reactive management. The organization will

incur two types of costs as a result of delayed response to discontinuous changes. These are the cumulative loss of profit and the cost incurred in arresting or reversing the loss. Management problem is to minimize the total losses (Ansoff and McDonnell, 1990).

Pearce and Robinson (2005) observed that a technological breakthrough can have a sudden and dramatic effect on firm's environment. It may spawn new markets and products or significantly shorten the anticipated life of a manufacturing facility. Hence for a firm to stay successful, it must strive to understand both the existing technological advances that can affect its products and services also the ability to forecast future technological advances helps alert strategic managers to both impending challenges and promising opportunities.

Systems delay typically occurs in large firms due, in part, to the time consumed in observing, interpreting, collating and transmitting information to responsible managers. In another part, it due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels (Powell, 1995). A verification delay may be invoked because some managers will argue that, even though the level of impact has reached unacceptable proportions, there is never an ironclad assurance that the threat is real and that the impact is permanent. They will opt for waiting a little longer to see if the threat will 'blow itself out.'

Pearce and Robinson (2005), define the ecology as the relationship among human beings and other living things and the air soil, and water that support them. Specific concerns in this area include global warming, loss of habitat, and biodiversity as well as air, water, and pollution. Firms are increasingly being called upon to pay attention to this by protecting the environment. Pearce and Robinson (2005) also observed that despite cleanup efforts the job of protecting the stakeholders is entrusted on the organizations. Hence any effort to attain success through competitive advantage must be fully aware of all the external environment factors and their impact on the day to day operations of the business.

2.3 Strategic Responses

According to Porter (1980) strategy is about competition and the means by which an organization tries to gain a competitive advantage. He has described a category scheme consisting of three general types of strategies that are commonly used by businesses. The three generic strategies are as follows: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market to be targeted. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In addition, he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). Porter simplifies the scheme to the three best strategies: cost leadership, differentiation, and market segmentation (or focus).

Porter (1998) states that the goals of a competitive strategy for a business went in an industry is to find a position in the industry where the company can best defend itself against the five competitive forces – entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors. These five forces constitute the industry structure and it is from industry analysis that the firm determines its competitive strategy. He identified three potentially successful generic strategy approaches to outperforming other firms in an industry. There are overall cost leadership, differentiation and focus, in formulating its strategic response to changes in its environment, a firm must have a first decided on a core idea of generic strategy about how it can best compete in the market place.

Porter (1985) observes that for firms to be able to retain competitive advantage, they need to examine their environment both internal and external and respond accordingly. Ansoff and McDonnell (1990) also point out that the success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. This is because each level of environmental turbulence has different characteristics, requires different strategies and requires different firm capabilities. Therefore, each level of environmental turbulence requires a matching strategy and the strategy has to be matched by appropriate organizational capability for survival, growth and development. Being ahead of the game requires that firms employ competitive strategies that is sustainable and assures them of their market position.

Pearce and Robinson (2005) states knowledge of these underlying sources of competitive pressure provides the grounds work for strategic agenda of action. The highlight of the critical strengths and weaknesses of the company, animate the positioning of the company in its industry, clarify the areas of strategic changes and may yield the greatest payoff.

Ansoff and McDonnell (1990) noted that strategic responses involve changes in the firm's strategic behaviors to assure success in transforming future environment. Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (1998), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy

Ansoff (1980) asserts that when a firm fails to respond to a threat, the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990).

Porter (1998) argues that developing competitive strategies involves development of a broad formula for how a firm is going to compete, what are the goals and policies or tactics necessary for achieving the goals. Competitive strategy includes actions or attempts by a firm to attract customers, retain them withstand competitive pressures and strengthen its market positions and is aimed at gaining competitive advantage. Porter expressed the key aspects of firm's competitive strategies in what he referred to as the "wheel of competitive strategies".

Diversification strategy is the process of entering new business markets with new products. Such efforts may be undertaken either through acquisitions or through extension of the company's

existing capabilities and resources (Smith, 2003). The diversification process is an essential component in the long range growth and success of most thriving companies, for it reflects the fundamental reality of changing consumer tastes and evolving business opportunity. But the act of diversifying requires significant outlays of time and resources, making it a process that can make or break a company. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff 1980).

Diversification is meant to be the riskiest of the four strategies to pursue for a firm. According to him, diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff 1980).

Diversification makes sense when good opportunities can be found outside the present business. Kotler (2000) states that a good opportunity is one in which the industry is highly attractive and the company has the mix of business strengths to be successful (Fred, 1997) observed. Three types of diversification are possible. The company could seek new products that have technological and/or marketing synergies with existing product lines even though the new products themselves may appeal to a different group of customers.

According to Hill and Jones (2001), argue that focus strategy concentrates on serving particular market niche, which can be defined geographically, type of customer or by segment of the product line. It differs from the first two because it is directed towards serving the needs of a limited customer group or a segment. Hence the company is specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovate product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger. It differs from corporate strategy in that whereas corporate

strategy involves decisions about the entire organization, strategic decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2002) "Business unit strategy is about how to compete successfully in particular markets".

According to Johnson and Scholes (2002), operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategies may be focused on a given function, as often as not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

The company's corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization. At a general strategic level Ansoff and Mc Donnell (1990), suggests three reasons why firms diversify. The objectives cannot be achieved by continuing to operate in their existing market.

Differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments. Differentiation strategy is one of porter's key business strategies. When using this strategy, a company focuses its efforts on providing a unique product or service. Since the product is unique, this strategy provides high customer loyalty (Porter, 1998). Pearce and Robinson (2005) contend that strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute.

Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows the organization to capture the market share

2.4 Environment and Strategy

According to Johnson and Scholes (2002), dealing with the environment is difficult because of three factors. First is the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficulty is the speed of change. Managers typically feel that the pace of technological change and the speed of global communications mean more and faster changes than ever before. Third is the problem of complexity. Managers are no different from other individuals in the way they cope with complexities; they try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It is important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

Ansoff (1980) asserts that when a firm fails to respond to a threat, the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990).

Boseman and Phatak (1989) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Effective strategy may enable a business to influence the environment in its favor and even defend itself against competition.

Aaker (1992) also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Kotler (1997) says that to adapt to environmental changes, firms require effective leadership. He further states that, while leadership is crucial, most organizations are over-managed and others under-led. In this regard therefore it is necessary to examine what impacts does leadership and strategic management have on an organization in relation to its external environment.

Boseman and Phatak (1989) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Critical success factors are crucial to an organization because it takes into consideration fundamental changes in the environment thus making firms proactive rather than reactive (Bett, 1995). Okutoyi (1992) states that strategy has an important role in helping businesses position themselves in an industry.

The strategic roles include the strategic network optimization, including the number, location, and size of warehouses, distribution centers and facilities; strategic partnership with suppliers, distributors, and customers, creating communication channels for critical information and operational improvements such as cross docking, direct shipping, and third-party logistics; products design coordination, so that new and existing products can be optimally integrated into the supply chain, load management; information Technology infrastructure, to support supply chain operations; where to make and what to make or buy decisions; and aligning overall organizational strategy with supply strategy (Mintzberg et al, 2003).

Strategic responses to a changing competitive environment therefore entail substantial changes to organization long term behavior. This adaptation may be gradual or revolutionary depending on the nature and circumstances facing the organization. Locally, Sheikh (2000) conducted a study on strategic response by insurance companies following liberalization and concluded that the companies in the industry consider strategic plans to be important. Kandie (2001) studied the strategic response of Telkom Kenya in a competitive environment and found that financial

constraints and lack of managerial empowerment has limited the capability to respond to the environmental changes. Isaboke (2001) investigated the responses of the oil companies in Kenya to the threats of the new entrants. Response included a combination of generic strategies and lobbying for a level playing ground. Kombo (1997) found that as a result of the ongoing economic reforms, firms in the motor industry adjusted their variables substantially so as to survive in a competitive environment. The firms in this industry introduced new technologies of product development, differentiated their products, segmented and targeted their customers more and improved customer services. They also made significant changes to marketing mix variables of promotion, price and distribution in response to competition.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involved a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions about how research was executed and how interviewees were approached, as well as when, where and how the research was completed. Therefore in this section the research identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

This was a case study since the unit of analysis was one organization. This was a case study aimed at getting detailed information regarding the strategic responses to changing environment in Kenya Ports Authority. According to Yin (1994), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari, (2004) noted that a case study involved a careful and complete observation of social units. It was a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study is more reliable and up to date.

3.3 Data Collection Method

The researcher used both primary and secondary data. Primary data was collected using self-administered interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. Secondary data included the companies' publications, journals, periodicals and information obtained from the internet.

The interview guides consisted of open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The interview guides designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the interviewees. The second part was devoted to the identification of the strategic responses to changing environment where the main issues of the study were put into focus. The interviewees of this study were the senior staffs, who include top, middle and lower level managers across all departments working at Kenya Ports Authority Ltd. This study targeted to interview 40 interviewees.

3.4 Data Analysis

Before processing the responses, the completed interview guides was edited for completeness and consistency. A content analysis was employed. Content analysis is defined as a technique of making inferences by systematically and objectively identifying specific characteristics of messages and using the same to relate to trends. It provided the researcher with a qualitative picture of the respondent's concerns, ideas, attitudes and feelings. The content analysis was used to analyze the interviewees' views about the strategic responses to the changing external environment in Kenya Ports Authority. The data was then presented in a continuous prose as a qualitative report on the strategic responses to the changing environment in Kenya Ports Authority.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and interpretations of the data from the field. The study sought to determine the strategic responses towards external environment adopted by Kenya Ports Authority. The data was gathered through interview guides and analysed using content analysis. According to the data found, most of the respondents projected in the previous chapter to be interviewed were interviewed with a response rate of 90%. The commendable response rate was achieved after the researcher made frantic effort at booking appointment with the interviewees despite their tight schedules and making phone calls to remind them of the interview.

4.2 General information

The interviewees were from different department at KPA. These departments were marketing, accounts, and administration and operations departments. The interviewees were accountants, engineers, sales managers, IT managers and senior managers. They had worked for an average of sixteen years. They had been in the organization for an average of eleven years.

Table 4. 1: Gender of the respondents

Gender	Frequency	Percentage
Male	20	55.6
Female	16	44.4
Total	36	100.0

Source: Researcher 2011

The study sought to find out the gender of the respondents. According to the findings, 55.6% of the respondents were male while 44.4% of the respondents were female.

Table 4. 2: Age of the respondents

Years	Frequency	Percentage
20-25 years	3	8.3
26-30 years	5	13.9
31-35 years	17	47.2
36-40 years	8	22.2
41-45years	2	5.6
Over 45 years	1	2.8
Total	36	100.0

Source: Researcher 2011

The study sought to find out the age of the respondents. From the findings, 47.2% of the respondents were aged 31-35 years, 22.2% of the respondents were aged 36-40 years, 13.9% of the respondents were aged 26-30 years, 8.3% of the respondents were aged 20-25 years, 5.6% of the respondents were aged 41-45 years and 2.8% of the respondents were aged over 45 years.

Table 4. 3: Total work experience of the respondents

	Frequency	Percentage
Certificate	2	5.6
Diploma	6	16.7
Undergraduate	18	50.0
Graduate	10	27.8
Total	36	100.0

Source: Researcher 2011

The study sought to find out the total work experience of the respondents. According to the findings, 50% of the respondents were undergraduates, 27.8% of the respondents were graduates, and 16.7% of the respondents were diplomas and 5.6% of the respondents were certificates.

4.3 Findings

To the question on external changes that had had major impact on Kenya Ports Authority operations from the economic environment. The interviewees said that Kenya Ports Authority faced legal changes related to the new Port Act which is coming up with prudential guidelines for the ports, technological changes; economic factors e.g high cost of expansion, illegal entry of products, technological changes, political instability and terrorism.

To respond to the challenges Kenya Ports Authority adopted various strategies. To counter the changes in its environment are development of policies in readiness to the new law, starting of a marketing section to counter competition, commissioning professionals to do a salary survey for purposes of benchmarking, implementation of new computer software and technology, creation of new departments to suit to the diversified customers needs, forming alliances with other institutions, update of the ICT system and strategic plan review, taking a cover incase of political instability and terrorism.

The interviewees said that there had been changes in regulation policies that had affected the operations. All luggage was inspected before they entered or left the port. People were also inspected and screened before entering or leaving the ports. This was done using high technology machines which were quick.

To the question on changes that had taken place in the organization due to political climate, the interviewees said that KPA had introduced a policy whereby their planes and ship were only destined to countries which were politically stable. The planes and ship were monitored through a computer to track them down in case of an emergency.

The interviewees at KPA said that the areas in which technology had taken toll were security at the ports, scanning of luggage and people who entered and left, improving the employment systems used by the ports, maintenance of records and efficiency in dealing with the clients. In addition, KPA technology had taken toll like adoption Information Communication Technology such as Management Information System (MIS), putting up of CCTV and mobile booking of flights.

To respond the above technological changes, KPA had put in place strategies to achieve the appropriate changes. The interviewees said that KPA has a powerful technological infrastructure supporting services such as multitasked environment, CCTV system, internal messaging system and fax gateway, automatic call distribution system and automated query handling systems.

There had been improvement in performance owing to this technology adoption. It was made easier for the customers who booked flights by reducing time wastage while booking due to the mobile booking, cost of travelling was cut due to introduction of technology which cut down the

cost of operations in the port, security was improved thus assuring customers of their safety and receiving the luggage intact. In general all these have increased the customers thus increasing the revenue.

The interviewees indicated that they were involved in the formulation of response strategies. They carried out research and tested various systems before they were adopted. They were also involved in coming up with policies.

The study sought to find out the responses which led to fruitful results. CCTV system and mobile booking of flights had more fruits. This was evidenced through reduction of insecurities in the ports and increase of customers.

The various response strategies adopted by KPA were proactive to the changes in the corporation's external environment. The strategies were implemented to curb the gaps at KPA. Response strategies adopted by Kenya Ports Authority are pro- active to the changes in the corporation's external environment. They came up with strategies and implemented them before the challenges were posed.

CHAPTER FIVE 5.0: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are in quest of addressing the research question or achieving at the research objective which is the strategic responses towards external environment adopted by Kenya Ports Authority.

5.2 Summary

The study found that Kenya Ports Authority faced legal changes related to the new Port Act which were coming up with prudential guidelines for the ports, technological changes; economic factors, illegal entry of products, technological changes, political instability and terrorism. They adapted various strategies which were development of policies in readiness to the new law, starting of a marketing section to counter competition, commissioning professionals to do a salary survey for purposes of benchmarking, implementation of new computer software and technology, creation of new departments to suit to the diversified customers needs, forming alliances with other institutions, update of the ICT system and strategic plan review, taking a cover incase of political instability and terrorism. All luggage were inspected before they entered or left the port. People were also inspected and screened before entering or leaving the ports. A policy whereby their planes and ship were only destined to countries which were politically stable was developed. The planes and ship were monitored through a computer to track them down in case of an emergency.

Technology had taken toll in security at the ports, scanning of luggage and people who entered and left, improving the employment systems used by the ports, maintenance of records and efficiency in dealing with the clients. adoption Information Communication Technology such as Management Information System (MIS), putting up of CCTV and mobile booking of flights. KPA has a powerful technological infrastructure supporting services such as multitasked environment, CCTV system, internal messaging system and fax gateway, automatic call distribution system and automated query handling systems. Technology made it easier for the customers who booked flights by reducing time wastage while booking due to the mobile

booking, cost of travelling was cut due to introduction of technology which cut down the cost of operations in the port. security was improved thus assuring customers of their safety and receiving the luggage intact. In general all these have increased the customers thus increasing the revenue. CCTV system and mobile booking of flights had ore fruits. This was evidenced through reduction of insecurities in the ports and increase of customers.

The various response strategies adopted by KPA were proactive to the changes in the corporation's external environment. The strategies were implemented to curb the gaps at KPA. Response strategies adopted by Kenya Ports Authority are pro- active to the changes in the corporation's external environment. They came up with strategies and implemented them before the challenges were posed.

5.3 Conclusions

The study concludes Kenya Ports Authority faced legal changes related to the new Port Act, technological changes; economic factors, illegal entry of products, technological changes, political instability and terrorism. Kenya Ports Authority adopted various strategies which were development of policies in readiness to the new law, starting of a marketing section to counter competition, commissioning professionals to do a salary survey for purposes of benchmarking, implementation of new computer software and technology, creation of new departments to suit to the diversified customers needs, forming alliances with other institutions, update of the ICT system and strategic plan review, taking a cover incase of political instability and terrorism. There had been changes in regulation policies that had affected the operations. A policy where KPA planes and ship were only destined to countries which were politically stable was introduced. The planes and ship were monitored through a computer to track them down in case of an emergency. KPA technology had taken toll like adoption Information Communication Technology such as Management Information System (MIS), putting up of CCTV and mobile booking of flights. KPA had a powerful technological infrastructure supporting services such as multitasked environment, CCTV system, internal messaging system and fax gateway, automatic call distribution system and automated query handling systems. There had been improvement in performance owing to this technology adoption. Strategic responses had led to fruitful results. CCTV system and mobile booking of flights had ore fruits. This was evidenced through

reduction of insecurities in the ports and increase of customers. The various response strategies adopted by KPA were proactive to the changes in the corporation's external environment.

5.4 Recommendations

From the discussions and conclusions in this chapter, the study recommends that although KPA has been successful in neutralizing the challenges brought about by the changing environment, in order to remain competitive in the market, KPA should advertise itself and also conduct comprehensive research studies in key potential areas for example security and destination areas of flights. KPA should invest more on technology so as to ensure that they monitor everything that is done in the port.

From the earlier findings, the study found that strategy will only make sense if the markets to which it relates are known; and pointed out that the nature of the environment in which the company operates needs to be understood. This therefore shows the importance of aggressive environmental scanning and adaptability of KPA. The researcher further recommends that the organization need to improve its communication with the members and to make improvement on service delivery in order for its products to fulfill its clients' needs.

5.5 Limitation of the Study

Being that this was a case study on one organization the data gathered might differ from strategic responses that other organizations in private and other government agencies have adopted to match the changing external environment. This is because different organizations adopt different strategies that differentiate them from their competitors. The study however, constructed an effective research instrument that sought to elicit general and specific information on the strategic responses that organizations adopt to match the changing external environment.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on strategic responses to changing environment. Due to limited finances the study could not be carried out on the entire KPA. The study however carried out a study across all the departments in the organization which could enable generalization of the study findings on the strategic responses adopted by KPA towards changing external environment.

5.6 Area for Further Research

The researcher recommends that a replicate study be done in other organizations and in the other industries so as to find out how other organizations also respond to the changing environment since each organization does approach a different strategy. The researcher further recommends that a similar study be done on other parastatals for the purposes of benchmarking.

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Appendix: Interview Guide

Kindly answer the following questions by filling the spaces provided.

Part A: General information

1. What is your gender?

Male	
Female	

2. What is your age bracket?

20-25 years	
26-30 years	
31-35 years	
36-40 years	
41-45 years	

3. What is your total work experience in years?

1-5 years	
6-10 years	
11-15 years	
16-20 years	

Over 20 years	
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4. What is your level of education?

Certificate	
Diploma	
Undergraduate	
Graduate	
Other.....	

PART B: SPECIFIC INFORMATION

1. List the external changes that have had major impact on your operations from the economic environment.
2. Indicate the strategies that were adopted to respond to the challenges? Briefly explain.
3. Have there been any changes in regulation policies that have affected your operations? Briefly outline.
4. Indicate any changes that have taken place in your organization due to political climate?
5. Briefly indicate the areas in which technology has taken toll?
6. To respond the above technological changes, what strategies have been put in place to achieve the appropriate changes?
7. Has there been any improvement in performance owing to this technology adoption? Briefly outline

8. Are you involved in the formulation of any of the response strategies highlighted in any of above questions? How?
9. Which responses led to fruitful results? Indicate briefly why?
10. Do you consider the various response strategies adopted by KPA to be proactive or reactive to the changes in the corporation's external environment?
11. What are the other strategic responses that KPA has adapted to the challenges posed by the external environment?
12. Do you consider the various response strategies adopted by Kenya Ports Authority to be proactive or reactive to the changes in the corporation's external environment?

THANK YOU!!