RESPONSES OF KISII BOTTLERS LTD TO CHANGES IN THE OPERATING ENVIRONMENT IN KENYA

BY

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DECLARATION

This Research Project is my own original work and has not been presented for purposes of Examination in any other University.

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DEDICATION

This study is dedicated to my family, my wife Florence, my daughters Sheryl and Irvy, and my son Neville for their continued cheer, encouragement and moral support.

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ABSTRACT

The overall objective of the study was to examine the response of Kisii Bottlers Limited to the Changes in the Operating environment. This study adopted a case study research design, An interview guide was used to collect data on the response of Kisii Bottlers Limited to the Changes in the Operating Environment. The interview guide contained open ended questions that were administered by the researcher on six heads of departments with five of them responding to the interview. Data analysis and presentation was undertaken by use of Content analysis because the research was qualitative in nature. The findings included the competitive responses in innovation and packaging ,product developments in marketing, acquisition of technology, cultural changes and operational decisions like merging have contributed to the survival and positioning of Kisii Bottlers limite.It can be argued from the study that Kisii Bottlers is growth oriented with a strategic plan of not only surviving in the market place but also remaining profitable and competitive in business and hence the focus on strategies such as cost leadership and focus as strategies aimed at maintaining the business turnover. The study was not without limitations. Time was a limiting factor. The researcher is widely involved in consultancy across East Africa and therefore did not have adequate time with the busy Kisii Bottlers Leadership especially in the collection of data. The unwillingness of the interviewees to supply the right response was another limiting factor. The interviewees were suspicious that such study could expose their competitive advantage to their competitors, among other fears.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations are dependent on the environment for their survival and prosperity. This is because firms are environment serving as they draw their resources from the environment and transform these resources into products and services which they in turn release to the environment. The environment consists of both the internal and external environments. The internal environment constitutes the factors in the firm which are to a great extent under the direct control and manipulation of the firm's management. Such factors include the firm technology, the physical infrastructure of the firm as well as its human and production resources, among others. It is these resources that the firm utilizes in its leadership and management strategies to tap on the opportunities in the environment and handle subsequent business threats. The external environment of the firm on the other hand includes the remote, industrial and the operating environment (Ansoff, 1988).

Firms are dependent on the external environment for their inputs which they translate into outputs for consumption by the same environment. The firm's remote environment constitutes of factors originating beyond the firm and are in existence irrespective of any single organization s operating, political, economic, technological and ecological parameters (Pearce & Robinson, 2003).The industrial environment is one in which firms subscribe to a definite pattern of doing business and can be differentiated from any other industry within the business environment. Of all these environments a firms' operating environment is ideally the most important of them all. This is because it has a direct bearing on the rest of the environment. This environment also known as the competitive industry environment is one under which firms operate in their endeavor to create a competitive edge for themselves. This competitive environment is determined by the power of suppliers, the power of buyers, the threat of new entrants, rivalry among existing players in the industry, power of substitutes, among others.

In the recent past, the beverage industry players such as coca cola and East African Breweries have been operating in an external operating environment that is turbulent. Since the advent of liberalization of Kenya's economy, this environment has been rapidly changing; it has been unpredictable as well as surpriseful. The rapid changes in technology, increased competition and globalization as well as changes in customer tastes and preferences have exerted immense pressure on these organizations to change so as for them to survive. They must, therefore match their internal capabilities with the pressure in the external environment, failure to which they will lose their business survival positioning (Ansoff, 1988).

Strategy is therefore required to effectively respond to the turbulent environment. Strategy is an executable plan of action which describes how an organization will achieve a stated mission. Strategies could be formulated to cover or drive products, services, operations, and support managerial and leadership processes. Any good strategy is believed to have the scope of the firm which shows the firm's mission and its business both at present and planned interchanges between the firm and its environment. Such strategy should also constitute competence as an indication of the level and patterns of the firm. It should indicate the competence advantage or the unique position that a Company will develop vis-à-vis its competitors through its resource mobilization and the scope of its decision. The strategy should have synergy thus the joint effect that is sought from the company's resources employment and company scope of decisions. (Porter, 1996) also captures strategy as the creation of a unique and valued position involving a different set of activities as a response to the environment. These responses constitute strategic responses to the environment.

1.1.1 Organization and the Environment

A firm's operating environment on the other hand is the firm's competitive environment, factors in this subsector of the environment influence the firm's immediate competitive situation, competitive position, customer profiles, suppliers, creditors and the labor market (Mogeni, 2008). Since all firms without exception depend on the environment for their goods and services, they have to scan the environment for opportunities and threats. Kisii bottlers therefore cannot be left out of this scanning of its operating environment. This firm, just like other firms must scan the environment for trends, conditions and opportunities which affect business so as to adapt to them and deliver on the company's mandates (Thomson & Stickland , 1993).

Ideally, management must scan customer trends and behavior changes, supplier credibility and reliability and the labour market among others so as to adjust the firms responses competitively (Abdalla,2001).Top management of firms must therefore plan apriori to handle turbulence in the environment. This is necessary for the firm to create a competitive edge for itself. Competitive edge arises because firms are not alone in the market. They are ever competing for the scarce resources and opportunities within the market place. The response to these environments must therefore address competition.

How firms handle the changing power of customers and suppliers, potential entrants and existing players in the industry will determine their profitability in the long run (Porter, 2001). In addition to these forces determining industry competition, firms must also respond to the needs of all other stakeholders so as to effectively harness the opportunities in the environment (Pearce & Robinson, 2003). This is only possible by firms with a strategy. The response strategy must cover the scope of the firm clearly illustrating its mission, vision and goals and how they relate to the environment. The strategy should have the capability to unleash the core competences of the firm in dealing with the environmental unit. The strategic response should, also have synergy. Synergy is the joint effect that is sought from the firm's resources deployment and the company's scope of decisions. Such strategy must be utilized to create a unique and valued position involving unique company tailored and local made responses to the turbulent environment (Porter, 1996)

1.1.2 Organizational Responses

In the recent past especially since the advent of liberalization in Kenya, organizations have focused more of their energies in the happenings in the business environment. This is because, more than ever before, Kenya's business environment has been marked with an overdose of environmental turbulence. The changes in the environment have been rapid, unexpected, and volatile. In addition the environmental turbulence has been marked with discontinuities and unpredictability. The political arena for instance has seen Kenya move from the single party system of the 1990's to the entrance of multi-party democracy and its coalition policies. These political shifts have not taken place without any business hiccups. The 2007 post-election violence for instance came with a huge business cost. Business firms lost their customers in the flare ups and hence a great loss of the much needed revenues. Related to this in the accompanying legislation, for instance with the passage of the new constitution and the ushering in of the second republic, business legislation especially in the semi-autonomous governments thus the counties, shall never be the same again (www.gok.or.ke).Changes in the economic performance, educational levels, ecology, and socio demography must be critically assessed by organizations so that they can align themselves accordingly. This is because firms are dependent on the environment for their inputs such as raw materials and labor which they transform into finished products for consumption by the environment. At the same time the environment poses threats and opportunities to the firms and therefore firms must always be on the lookout to wade off these challenges as well as harness the opportunities.

Organizations' alignment to the environment calls for specific strategic responses to the environment for the firm to be able to tap environmental opportunities and deal with the threats accordingly. Organizational change, therefore, requires the firms to adjust and deliver the desired goods and services back to the environment upon tapping the existing opportunities and transforming them into the needed outputs (Ansoff & McDonnell, 1999). Effective response to the environment demands that firms align their internal capability with the environment. Lack of these alignments forms the basis for failure (Aosa, 1992). The firms' finances, the human resources capacity and capability, in addition to other core competencies of the firm must be put together to effectively respond to the turbulent environment.

1.1.3 The Beverage Industry

The beverage industry has been experiencing restlessness in its operating environment broadly affecting its market. This has spanned through its consumer base changing its demands on service delivery, ambience as well acceptable packaging which is specific to each and every occasion. This consumer base also requires specific packaging to address on-the-go market segment, changing demands on health conscious products to address children, the trendy youth, the sporting world, the aged and calorie conscious adult, and the religious lot. Suppliers too have formed a platform where they share information to address efficiencies and therefore exerting pressure on the minimum order quantities and delivery guidelines to address in transit warehousing and hard currency form payments (Mogeni, 2008)

Government regulations have increased pressure on the bottling industry to shoulder its expanding domestic budget through overrated excise duty demands on production and packaging (Abdalla,2001).Competition in the beverage market has also widened with regional government groupings for trade purposes opening up borders for example the East Africa Community and COMESA. This has introduced cheaper imported soft drinks produced under a protected industry across borders and meant to compete with the locally manufactured soft drinks. At the same time there is increased competition posed by new players such as EABL's introduction of Alvaro and the other substitute products such as the juices and water ((www.cocacola.co.ke)This is the industry in which Kisii Bottlers finds itself in as it puts together responses to address its operating environment for sustainability.

1.1.4 Kisii Bottlers Limited

Kisii Bottlers Ltd was founded in 1987 as one of the Coca-Cola bottling firms in Kenya, operating under franchise from the Coca cola Company. Coca-Cola international, conducts its business using a franchising strategy. Its mission is to maximize shareholder value and this is the same mission for all its franchises/ bottling plants the world over (www.cocacola.co.ke).

As one of the franchises, Kisii Bottlers operates under a co-operative strategy whereby the mother company, Coca Cola International has a relatively centralized vertical integrative control over it to ensure standardization while at the same time having significant capital injection in the franchise. Kisii Bottlers uses the same logo as Coca Cola trademarks, products, services, business format and the marketing strategy. Also, it uses similar guidelines on marketing, quality control, technology, engineering and human resources, among others. To a large extent Kisii Bottlers subscribes to the same standardized ways of doing business save for a few adjustments to localize the business strategy, in the genius of 'thinking global and acting local'. Kisii Bottlers, Kenya deals with the manufacturing and distribution of carbonated soft drinks. It also deals with an alternative beverage line of the juices family and water. This is in line with the parent Company's strategy to establish itself as a one single stop shop for anything soft drink. It supports the business by providing ice and fridges for cooling its beverages, juice and water. The company has approximately 300 employees who are both on contractual and permanent basis. The average sales turn over for the firm stands at over ksh. 1Billion per year.

Kisii Bottlers franchise has operated with an over twenty years old production plant without embodying the new changes in manufacturing technology the world over. The need for installation of a more efficient manufacturing technology with a view to reducing its direct manufacturing costs and overheads cannot be overemphasized. The use of old technology has meant under capacitation in production, higher costs of manufacturing and extremely low operating margins. More fundamentally, the 2007 post-election violence has had its toll on the way of doing business for this firm. At the same time, there is a multiplicity of competitors in the market such as the water firms, the juice firms, in addition to the latest entry of Kenya Breweries into the soft drinks market and the expected grand entry of Pepsi Cola, an equal force offering the same soft drinks solutions. All these cut into the market share of Kisii Bottlers. There is therefore a need for Kisii Bottlers Limited to re-strategize and reposition itself competitively by coming up with the correct responses to this environmental discontinuity.

1.2 The Research Problem

The objective of this study was to establish the firm's responses to changes in the external operating environment. Firms more than ever before have found themselves in a turbulent operating environment punctuated by rapid technological changes, increased competition and the never ending changes in consumer tastes and preferences. The beverages industry in particular has been affected by these changes. Players in the industry need to employ specific responses to address the changing operating environment so as to entrench their strategic position in the industry. By these responses the players will have ensured a sustained return on investment, safeguarded shareholder value, addressed profitable growth and strengthened their competitive position in the beverage market.

Of all the firms in the beverages industry, Kisii Bottlers is apparently one of those firms whose profitability and market share has been declining due to very stiff competition from other players in the industry as reflected in Kisii Bottlers Audited financial Results 2011. At the same time there is increasing pressure from government on the industry for increased taxation, cheaper and available imported substitutes within its operating environment. Also, the uncertainties affecting the world production of sugar as the main raw material, and the expected shift of the sugar producing countries entering into the production of corn for the production of ethanol for cleaner energy, therefore limiting the sugar acreages, has challenged the future of the business fortunes of Kisii Bottlers. This is in addition to the increased number of health conscious consumers and a growing consumer base developing overnight demands along service levels. Unless these challenges are addressed Kisii Bottlers' market will be at more risk, therefore depressing its turnover and eventually stagnating or negating its growth. Kisii Bottlers requires to develop cross functional responses that will address these challenges to survive in the industry.

These ever changing business operating environment can only portend two issues; opportunities and at the very worst, challenges/threats. Only firms with the capability and capacity to respond to these changes could in the first place survive and then build a competitive edge for themselves. It is therefore necessary to study how Kisii Bottlers has responded to the changes in its operating environment. The necessity to respond to the competitive environment is crucial because all the sets of the three factors of operating, remote and industrial environment are the basis of the threats and opportunities facing any firm in its competitive turf (Pearce & Robinson,2003. Firms such as Kisii Bottlers could adopt generic strategies like cost leadership, differentiation and focus (Porter, 1980).

It is also important to note that while substantial literature exists on firms responses to the environment, there is limited research that has been done on the response to the operating environment by Kisii Bottlers. Such researches include those of(Banda,2006) on Responses to the environment by Public Health firms, (Okoth, 2005) on Competitive

Strategies by Sugar Manufacturing firms and (Keranga, 2009) on responses by the Government of Kenya to changes in the operating environment. While all these studies shade light on the nature of responses to the changing environment, they do not specifically deal with Kisii Bottlers.

There exist also researches which are closely related to the current research. (Methu, 2003), for instance dealt with responses of Bottled Water firms in Nairobi to the threat of substitute goods, while (Nyangau,2003) did a survey of the nature of competition among Soft Drinks in Kenya. At least these researches while shedding light on the bottled firms, they were done almost 8 years ago, since then the business environment has changed drastically. In addition these researches are more generalized to the bottled water firms and do not give specific reference to Kisii Bottlers. Therefore there, clearly, exists a knowledge gap that needs to be filled by this study. On this basis then; What is the response by Kisii Bottlers Ltd to the changes in its external operating environment?

1.3 Objective of the Study

The objective of this study was to determine the responses by Kisii Bottlers Ltd to changes in the external operating environment.

1.4 Value of the Study

The findings of this study will be of great significance to various groups of people. The findings will hopefully assist the Kisii Bottlers to understand the challenges in the carbonated soft drinks subsector and how to deal with them. It will also assist Kisii

Bottlers in forward planning and thus enable it assemble the necessary resources for its strategic plans especially in sales and marketing. It will also benefit from benchmarking itself against other competitor firms and make the necessary competitive adjustments.

This research will also add to the body of knowledge of the existing researches, and act as a point of reference for further research. The study will identify problems encountered during the research and this will be a pointer on how to deal with such problems in research related to the current study. It will also hopefully provide the methodology to be used for further research related to this one.

Investors would find the study findings crucial identifying investment opportunities in the soft drinks sub sector. They will also understand the competitive challenges in the industry and how to face them. The shareholders will get to understand the nature of responses offered to the changing environment. The study findings shall help management consultants with management knowledge on the kind of responses to be required by firms in the soft drinks industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with the literature review of the study. It deals with the concept of strategy, the organization and the operating environment and the organizational responses.

2.2 The Concept of Strategy

In the last two decades several scholars have shed light on the concept of strategy. Despite a lot of contribution in this field, there is no generally agreeable definition of the term strategy (Grant, 2000). This is perhaps because of the elusive albeit abstract nature of the concept of strategy arising from the fact that this concept is still evolving in the intellectual circles. However, most scholars see strategy as the long term plan that desire the direction and scope of the firm designated to attain a particular goal of the firm (Thompson &Strickland, 2007); (Burnes, 1996). It is a deliberate search for a plan of action that could be used to turn the business around and create a competitive advantage for the firm.

Such plan must start by recognizing the current position of the firm in terms of in strengths and weakness as they relate to the challenges in the external operating environment. Strategy must recognize and deliver the notion that the basis of differentiation between the firm and its competitors in actual fact is the competitive edge of the firm. Strategy therefore must tackle the strategic problem, that is the mismatch between the internal firm capability and its external environment. For such a mismatch will create a competitive disadvantage for the firm (Aosa, 1992). Strategy is aimed at corporate success through creating a fit among the various company activities. A successful strategy calls for doing many things well and integrating all of them (Nyaga, 2007).The firm must therefore effectively relate to and serve the environment. This is because organizations use inputs from the environment and translate these inputs into outputs which they again release to the external environment (Porter, 1996).

The firm must therefore discharge those outputs that meet the needs of the external environment. The external environment is always changing, at times turbulent. The firm must not only configure its resources to meet these needs but also develop foresight, flexibility and speed in order to respond to these changes in a timely manner as to satisfy customer needs (Keranga, 2009) understanding customer inherent needs and then thinking what category of products will suit these customers' needs also constitutes strategy. Strategy is the bridge between the firm's resources and the opportunities and risks the firm faces in the environment. It incorporates the competitive moves and approaches to produce the best performance and satisfaction to the stake holders (Grant, 2000).

The firm's core competence profile must hence be matched with the environment so as to position the firm to be able to execute its mandate effectively and efficiently. This therefore, calls for an integration of the firm's mission and vision statement into its whole strategic planning process on the basis of existing business realities. Above all strategic formulation must be married to strategy implementation to ensure success.

The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprises decisions, permitting the application of powerful analytical tools to help enterprises decisions, and also help companies create and redirect their strategies. Strategy can help the firm establish long term direction in its development and behavior (Nyaga, 2007). Similarly, a strategy is a vehicle of achieving consistent decision- making amongst departments and individuals employees. This is because organizations are composed of many individuals all of whom are engaged in decision making which require coordination, and that the strategy process should act as a communication mechanism within the firm; a role that is increasingly recognized in the strategic planning processes of multinational firms. Shifts of strategic planning responsibility from corporate planning departments to line managers and the increased emphasis on dialogues at the businesses and the corporate headquarters as opposed to the formal approval of written plans, are part of the increased emphasis on strategic planning as a process for achieving coordination and consensus within firms (Buzell & Gale, 1989) Hamel & Prahalad, 1989).

More often than not strategic planning processes are becoming part of companies knowledge management systems: as management becomes increasingly concerned with how companies create, store, transfer, and deploy knowledge assets, so strategic planning becomes an integral part of how deeply embedded understanding of businesses and their environments become transferred between business units, divisional, and corporate levels and how the knowledge of many different managers and functional experts becomes integrated within strategy (Thompson & Strickland, 2007).

2.3 The Organization and the Operating Environment

Any organization must constantly address environmental uncertainty. Kisii Bottlers as a firm operates in an environment riddled with great levels of environmental turbulence. Management must take recognition that organizations such as Kisii Bottlers are no longer closed systems but open systems. Free interaction of objects with their environment to reach a new desired steady state and continued dynamic activity, is within the practice of an open system.

A model for the environment and the firm in the form of a matrix of connections consisting processes, influences, transactions and communications was proposed by (Emery and Trist, 1965) to show relationship between the firms and the environment. As the firm Kisii Bottlers interacts with its environment both as a receptor of signals from the environment and a transmitter of signals to it, and the character of the environment the firm faces is importantly shaped by interdependences and transactions that occur entirely outside the domain or realm of influence of the organization. On the boundary between the firm and the environment, there exists input and output dependencies of the organization (Keranga, 2009). The task environment which is also the operating environment is the portion over which the organization typically has greater degree of control. The Operating environment consists of some challenges facing Kisii Bottlers when attempting to tap the opportunities and deal with the business environment. The task environment comprises well-defined, long standing, high relevance and high controllability of relationships between the organization, and other individuals or organizations, customers, suppliers, bankers, and consultants (Thompson, 1967).

On the other hand the remote environment includes forces and inter-relationships beyond a firms operating situation but which may impose change on its operating environment. A firm has minimal influence on its remote environment, but it studies and understands that the task environment within the business environment. It is necessary therefore for a firm to scan the general environment for threats. This scanning is necessary so as to come up with strategies to handle environmental turbulence of change and strength of visibility for change. Firms' responses are determined by the impact, frequency, velocity and predictability of environmental changes.

In dynamic environments, the change source of environmental challenges is within the task environment, where the balance of the firm's input output relationship changes. In stable circumstances the firm can act more at will, sending signals and outputs to the environment. In dynamic environments the control of the firm over its environment is lessened because competition intensifies for resources and markets whose balance shifts and the bulk of interactions represent inputs from the environment. Environmental change amid turbulence is characterized by uncertainty and rapidity of change in the remote environment which by increasing causes unpredictable changes in the task environment. The turbulent environment is characterized as "an unfamiliar world of strange technologies, strange competitors, new consumer attitudes, new dimensions of social control, and above all, a "questioning of the firms role in society" (Ansoff, ibid).

Turbulence in firms implies a gross increase in their area of relevant uncertainty. The consequences which flow from an organizations' actions lead into ways that become increasingly unpredictable, and they do not necessarily fall off with distance but may at any point be amplified beyond all expectation, similarly lines of action that are strongly pursued may find themselves attenuated by emergent field forces. The transition from less to more turbulent environment is an evolutionary one, adapting an inherent social structure, more complex as they develop and interact with their environments as change introduces change (Emery & Trizt, ibid)

In today's business environments industry is therefore facing an over increasing level of environmental uncertainty. The environment has become both more complex and more dynamic. At this point environmental turbulence mounts, competition becomes "hyper competition", a form of competition where "the frequency, burdens, and aggressiveness of the players accelerates to create a condition of constant disequilibrium and change" (Davani,1994). This disequilibrium is a replica of the various challenges which face the soft drinks business. Increasing environmental uncertainty, terms of complexity and turbulence pose a threat to strategic management teams in terms of developing long range plans and decision making to align their firms.

2.4 Organizational Responses

Firms depend on the environment for their survival and they scan the environment in an effort to building trends and conditions that could eventually affect the industry and adapt to them to create a competitive edge (Thompson & Strickland, 1993). Firms' responses to the environment could either be operational or strategic decisions and these are likely to affect operational decisions. Overall strategy and operational aspects of the firm must be linked because if the operational aspects of the organization are not in tune with the firm's strategy, then no matter how well considered the strategy will be there will be no success.

Organizations could also utilize generic strategies as responses to the external operating environment especially competition. Porter (1980) has come up with generic competitive strategies to deal with his five forces which determine industry competition. These are cost leadership, differentiation and focus. These could either be handled singularly or simultaneously depending on the firm's management capabilities and priorities.

Also, the business environment now more than ever before is punctuated with turbulent factors determining industry competition. These are the power of the customers, the power of suppliers, rivalry among competitors, entry and exit barriers among others. The responses to the operating environment must therefore be in relation to these forces.

2.3.1 Strategic Responses

Strategic responses constitute an organization strategic behavior to assume success in transforming the future environment. The choice of the response depends on the speed with which a particular threat or opportunity develops in the environment. Some of the strategic responses include intensive strategies, integration strategies, diversification strategies and defensive strategies among others (Ansoff & McDonnell, 1990).

The goal of business strategy is to achieve a sustainable competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage).(Kombo, 1997) argues that a competitive advantage therefore enables the firm to create superior value for its customers and higher profits for itself.

The resource-based view (RBV) is an economic tool used to determine the strategic resources available to a firm. The elemental principle of the RBV is that the basis for a competitive advantage of a firm lies largely in the application of the pack of valuable resources at the firm's disposal (Buzzel and Gale, 1984). Transforming a short-run competitive advantage into a sustained competitive advantage requires that these resources are diverse in nature and not perfectly mobile (Barney, 1991). This translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Hoopes, 2003)

Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation .The resource based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

A competitive advantage can be attained if the current strategy is value creating, and not currently being implemented by present or possible future competitors (Barney, 1991).Although a competitive advantage has the ability to become sustained, this is not necessarily the case. A competing firm can enter the market with a resource that has the ability to invalidate the prior firm's competitive advantage. Methodology, strategies and tack are responsive to opportunities, threats and planning assumptions developed from external environmental assessments.

Strategy evolves from unique strengths possessed by the organization to identify weaknesses in competitors. Environmental scanning enriches and expands the set of opportunities for developing basic and core product services strategically and becomes the very essence of hedge strategies.

A firms institutional vision has to develop a participatory process set up within the organization for the purpose of continuously scanning the external and internal environment and identifying reasons for change, opportunities to master change and human resources best suited to understand and implement the change. The analysis of the environment could also be undertaken by using Michael Porter's (1980) five forces model of competition. This includes an analysis of the threat of potential entrants, strength of buyers and suppliers, and threat of substitutes.

Sustainability in the context of a sustainable competitive advantage is independent with regards to the time frame. Rather, a competitive advantage is sustainable when the efforts by competitors to render the competitive advantage redundant have ceased (Rumelt, 1984). When the imitative actions have come to an end without disrupting the firm's competitive advantage, the firm's strategy can be called sustainable. Such competitive edge must also deliver the much needed above average return on investment to shareholders (Nyaga, 2007).

2.3.2 Operational Responses

Firms can also utilize operational responses to respond to the ever changing external environment. The turbulent environment especially the changing customer tastes and IT may render products obsolescence. In this environment the only real source of competitive advantage is the capability and capacity to respond with innovative and new products to improve on competition.

An organization must therefore identify, develop and maintain its critical capabilities thus difficult to develop and imitate by competitors and are highly complex. The more complex the technology of an organization for example the more elaborate the structure also becomes. This is attributed to various reasons. Responses are likely to be successful and power is likely to develop to those specialists concerned with the technology itself. This may create the need for liaison between specialists and the operating core of the business giving rise to an integrating and coordinating mechanism such as committees, work groups and project teams or emphasizing on social control of their professional networks (Keranga,2009).

The tasks undertaken by the operating core of an organization has an important influence on various aspects of an organization design and control (Johnson & Scholes,2001).There are links between the types of products, processes and the approaches to management. Organizations with less standardized operational process are likely to have developed an informal decision making process. Operational tasks are concerned with transformational processes which take inputs and converts them into outputs, together with various support functions closely associated with these tasks. These transformational processes are applied in three categories, materials, customers and information. Some of the operational responses to the environment include primary activities (Brown et al, 2000).

Firms could respond to the environment through effective utilization of primary activities such as purchase of supplies and inbound logistics. The purchased supplies and inbound logistics are such as activities, costs and assets associated with purchasing fuel energy raw materials, parts, components, and consumable items from vendors, receiving, storing and disseminating inputs from suppliers, inspections and inventory management.(Pearce & Robins,1997)

Outbound logistics could also be used as a response tool. These are costs and assets related to sales force efforts such as advertising and promotion, market research and planning and company infrastructure. For instance marketing and operations should be well coordinated for the firm to provide its goods and services to the market more competitively .At the same time service/information costs and assets associated with providing assistance to buyers such as installation, spare parts, maintenance and repair technologies, inquires and complaints could also be utilized cost effectively. These activities involve the manufacturing of the products, marketing and transfer to the buyer and after sales support. Costs could not only be saved here but such activities could be under taken in a manner that they could satisfy the customers competitively. The support activities on the other hand support the primary activities. Firms could also adjust their support activities such as research, technology and system development.

Human resource management on the other hand has costs associated with hiring, training development and labour relation activities and the development of knowledge based tasks. This could also be done cost effectively and competitively so that the firm has the ability to save on costs.

Firms could make use of intensive strategies as a response to the environment. These are the (Ansoff, 1990) Growth Strategies on Product/Market Development Matrix. The matrix allows managers to consider ways to grow the business via existing and/ or new products; in existing and/ or new markets. There are four possible product/ market combinations. This matrix helps companies decide what course of action should be taken given current performances so as to improve on a firm's competitive position

Market penetration strategies deal with existing markets and existing products of firms. Here, a firm undertakes market penetration when it enters a market with current products and by so doing gains competitors' customers. This strategy also attracts non-users of a firm's product or convincing current clients to use more of the firm's products. This is achieved through advertising or increasing the sales force, service points, or even brand repositioning. Similarly product development on existing markets and new products could also be used as an intensive strategy. A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive (Nyaga, 2007).

Market development on new markets and existing products is the other intensive strategy that could be utilized. An established product in the market place can be targeted to different customer segments as a strategy to earn more revenue for the firm to satisfy stakeholders. Last but not least diversification where company enters new markets where it had no presence before thereby increasing its market share. New skills, new techniques and new facilities are required. This leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experiences.

2.3.3 Competitive Rivalry and Responses

Studies have shown that competition in industry in the recent past has become so intense, thanks to a liberalized business community in Kenya. Firms are fighting for more market share and more sales volumes as customers demand more quality and variety products. As an example, companies such as Kenya Cooperative Creameries and Brookside Dairies have tried to outsmart each other in the market through diversification as a strategy.

In her studies on Strategic Marketing of Dairy Products, Kenya Cooperative Creameries has introduced various product offerings such as KCC whole milk, KCC fresh milk, Long life UHT, KCC powder milk and yoghurt to increase its market share in the process of addressing each of its consumer need segments within the pie. This is a response strategy to Brookside's many product variants such as Brookside's Firm Fresh Milk, Brookside Full cream milk, Brookside skimmed milk and Brookside Low calorie milk (Bett, 1995). Other scholars such as (Mogeni ,2008) and (Abdalla, 2001) have addressed Response Strategies in the Soft Drinks Industry in Kenya. Both scholars identified Coca-Cola's intensive and regular brand development as a response strategy to firms such as East Africa Breweries with the potential to invade her territory. Without this product innovation through continuous market research, potential competitors are able to see an opportunity and develop a product solution in which process they would have gained entry into their market pie.

These research works have revealed the idea behind the recent development of Coca cola's plastic packaging solution, the sport cap bottle, and Dasani water to address the sports market, on the go market, and the occasion and convenience proposition of its product offerings.(Bahati, 2010) while researching on Responses by the Government

Press to the operating environment, identified the use of advanced information technology as a response strategy as a basis for creating a competitive advantage.

2.3.4 Nature of new and Potential Entrants

Modern business environments and globalization have created customers with overbearing demands on product variety tailored around specific needs. To this end, firms are working overboard to satisfy their customers through such strategies as differentiation, focus and the use of information technology, among others. The cost leadership could also be used as a basis for differentiation. The focus in cost leadership strategy is to be the lower cost manufacturer among competitors. Firms with similar production processes could utilize economies of scale and control overhead costs, cost reduction on non-key accounts, outsourcing of non-core functions, and employing of qualified staff to avoid wastages as some of the cost reduction strategies. Cost reduction finally ends up as a saving which adds up to the overall return on investment to shareholders. Cost effective distribution, procurement at low cost could cushion organizations against the five forces affecting industry competition. This is partly what large manufacturing firms have done for them to be competitive (Aosa,1992). Cost leadership aims at efficiency to produce high volume standardized goods by taking advantage of experience curves and economies of scale.

Continuous Research and Development on cost reduction, extensive distribution, and valuable promotion is required in this strategy. For a firm to succeed, it requires a considerable market share advantage through preferential access to inputs, labour and raw materials. The implementation requires the benefits of close labour supervision, tight cost controls, incentives on targets, assess to cheaper capital, products designed for easy manufacturing and process engineering standards. In essence, the existence of new and potential entrants who are powerful make industry competition more intense. This is because the existing industry players will try to fight for survival and continuity. The overall result of the above process is that a firm is able to use low pricing as an entry barrier against other competitors who will not find it possible to price at par with the established firm in the same market.

2.3.5 Barriers to Entry and Responses

Organizations may respond to the environment especially growing competition by entering new markets with similar products and services. These could be markets they are currently not serving, or new geographical markets. Market entry may be in the form of acquisitions, strategic alliance, joint ventures or even mergers. All these constitute some of the strategies firms may elect to serve as entry barriers into the industry.

Firms may also counter competition posed by outsiders by developing new products aimed at reducing risks through related or unrelated diversification .Related diversification could either be vertical or horizontal. Diversification may lead to cost reduction, defensive market power, and offensive market power. Backward integration may also be utilized to bring the organization closer to suppliers. Forward integration moves the firm closer to its customers while forward diversification may also include acquisitions of businesses not within the current product and market scope (Pierce and Robinson, 1997).This could be also used as a strategy to elect barriers to entry

The three types of diversification thus concentric, horizontal and conglomerate could therefore become a greater strategic tool in responding to the ever changing competitive environment. Equally, collaboration may be a viable way of combining resources in business opportunities. The combined efforts of firms therefore give the firm's financial and other resources power to bar potential entrants into the industry. Under diversification, firms especially those dealing with fast moving consumer goods could utilize a related strategy called franchising as a response to the ever changing environment. Franchising provides relatively strong control of the franchise without significant capital investment. Strategic alliances are more likely to succeed when players possess complementary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfillment of its strategic objectives. A firm will furthermore need to possess a knowledge base in the same area, since only similarity will allow an understanding of the core strategy of the business (Bernard,1938;Simon,1957) Firms can also pursue joint ventures ,retrenchment, liquidation, and acquisitions.

2.3.6 Power of Suppliers and Responses.

Suppliers are an important aspect of an enterprise as they are the backbone of the backward linkages comprising of all inputs that the firm needs to infuse in its production processes. These suppliers may come in the form of raw materials, capital, technology or labour (Bahati, 2010).The power of big firms like Coca Cola resides in the nature and manner in which its raw materials are supplied. The genius behind the single sourcing of its raw material ingredients whose formula is a secret affair has been the pillar behind the firm's success in over 120 years in which the brand has lived and continues to strongly exist. Indeed, the power of suppliers could weaken a firms bargaining power in competitive business. This is also best illustrated by East Africa Breweries which has established a subsidiary Company that deals with the manufacture of glass which is one single very important aspect of its raw material packaging solution (Abdalla, 2001; Mogeni,2008).From this heavy investment in the backward linkage in the bottler manufacturing East Africa Breweries has in essence created a formidable barrier to any entrant who may want to engage in the bottling of beer as a business as he may end up partnering with her for the supply of its raw material to effectively float its brand in the market. The pricing of such supplies to a competitor like this one or the flexibility to engage into such an agreement is a matter left for conjecture.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the research methodology of the study. It covers the research design, data collection and data analysis and presentation

3.2 Research Design

This research project utilized a case study research design on Kisii Bottlers Ltd. It involved an in-depth investigation of the responses by Kisii Bottlers to changes in the operating environment to help in understanding the phenomenon. The case study research design was the best suited here due to lack of data over a long continuous period of time recognizing that most strategic approaches are emergent in nature. Case studies place more emphasis on a full contextual analysis of fewer elements or conditions and their interrelations, which relies on qualitative data.(Cooper & Schindler,2008).Research studies that have been effectively used a case study include studies by Muturi (2006),Mogeni (2008),Keranga (2009) and Okiro (2006), among others.

3.3 Data Collection

Data for this study was collected through an interview guide on Kisii Bottlers heads of departments using semi structured open ended questions to give the research a qualitative approach. The interview was designed to obtain information on the responses by Kisii Bottlers to the changes in the operating environment. A total of five heads of the departments responded to the questions. These were the heads of IT, Production, Sales and Marketing, Human Resources and engineering. The heads of department were targeted because it is the heads of department who are charged with crafting the right response strategies to the changing external operating environment.

3.4 Data Analysis and Presentation

Data was analyzed by the use of content analysis. Content analysis was also used in data presentation since the data collected was qualitative in nature. Content analysis is used mostly to arrive at inferences through a systematic and objective identification of the specific messages. Researchers such as (Annule. 2003), (Keranga, 2009), (Mogeni,2008) and (Karambu ,2004) have successfully used content analysis in their research.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents findings and discussions of the study. The main objective of this study was to establish the responses of Kisii Bottlers Limited to changes in the operating environment in Kenya. Data was collected through an interview guide administered by the researcher. The interview guide contained open ended questions which were developed in line with the objectives of the study. The interview guide had three sections. Section A dealt with the personal bio data of the interviewees, Section B dealt with the challenges faced by Kisii Bottlers limited in the operating environment, while Section C deals with the responses adopted by Kisii Bottlers Limited to effectively address the challenges in the operating environment.

A total of six heads of departments were earmarked to respond to the questions in the interview guide. However, only five interviewees representing 84% response rate responded to the questionnaire. This response is adequate in research and could be used as a basis for analysis.

Data analysis was by way of content analysis.

4.2 Responses to Environmental Changes

The study came out with general findings on some of the factors Kisii Bottlers considers to be important responses to the changes in the operating environment. Kisii Bottlers operates as a franchise of Coca Cola International. Franchising is a collaborative strategy in which the Franchiser or the parent company has strong control over the operation of the Franchise or branches without significant capital investment. As a global firm Coca Cola international operates its franchises under a defined international standards procedure in all there operations. Any competition against any of the franchise is basically a direct affront to the Cola Cola system, Therefore responses by Kisii Bottlers as much as they are addressing the local changes in its environment should conform to international standards procedures of the Coca Cola system.

The study findings indicated that Kisii Bottlers have a majority shareholding that consists of investors with cross sectional interests in other businesses in East Africa other than the Soft drinks industry. This means that most of the decisions communicated by management as responses were made by the Board who compare the Returns on their investment against other investment opportunities and rates in the region for example investments in Equity and other industries like insurance, transport, banking and many others.

From the findings, Coca Cola in its role as a franchiser has been running major sales and marketing promotions in Kenya and therefore covering Kisii Bottlers 'territory so as to increase consumption and maintain market share. The promotions carried out almost every other quarter of the year tend to have an appeal and orientation addressing the general Kenyan Social Structure market and not specific to the Kisii Bottlers' Franchise. Responses to environmental changes recorded from the interviewees are discussed here below in the areas of Competition, Marketing, Packaging and Innovation, Technological and Cultural changes.

4.2.1 Competition Changes

Kisii Bottler's core business is the production, distribution and sale of soft drinks. This constitutes 94% of the total sales revenues to the firm and ranked first in its revenue generating activities. Hence Kisii Bottlers has given the soft drinks category the relevant attention in the development of response strategies to the intense competition experienced in its operating environment. Kisii Bottlers has also diversified into other alternative beverage categories like Drinking Water with its Dasani brand, its second ranked product contributing around 3% of sales Revenues to the firm. Dasani is a product created out of the need to handle competition and therefore it is an alternative product. For this same reason Coca Cola had to venture into the juices category with manufacturing from a centrally owned Subsidiary "The Coca Cola Juices Company "which is partly owned by Kisii Bottlers Limited and is ranked third in its product portfolio and representing 1% of its revenue earnings. The latest entrant into its product portfolio was Schweppes Novida a product designed to compete head-on with the earlier entry of East African Breweries'Alvaro brand.

Finally, Kisii Bottlers provides supplementary services to address related consumption occasions such as weddings, funerals, sports and other public meetings by providing on hire tents and seats, music leagues, and production and sale of ice for cooling of products in non-powered markets. These responses are tailored to face off the competition experienced in the operating environment by the varied range of products offered and the nature and condition of service of these products to beat what the competition offers. The hiring of tents and chairs at subsidized prices boosts Kisii Bottlers's corporate social image and endears the local community it serves to levels that they shun competitor products. The studies also found out that the health conscious customers are provided with an alternate choices of Dasani bottled water and other alternative juices like Orange pulp, Five Alive from where they could choose from.

The study also found out that Coca Cola, and therefore Kisii Bottlers, in its franchising Strategy has diversified into the production and sale of energy drinks." Burn" is the brand standing up to face the competition from other imported substitute products that address this energy market segment like "Shark" and "Redbull" among others in the market and this is a direct response to the developing market needs for non-alcoholic solutions by Coca cola. All these being manufactured and distributed through the franchise outlets by the centrally owned Coca Cola Juices subsidiary Company where Kisii Bottlers is a shareholder and therefore part and parcel of the combined strategic responses to address the emerging consumer demands of a varied product base through a high volume-low- combined cost of production of the generally demanded beverage offers across the other sister franchises.

4.2.2 Packaging and Innovation Changes

The findings also revealed a continued packaging re- modification as a response strategy to provide a welcome excitement and continued change to its existing products. The notable example was the evolution of the round contour Fanta bottle to the "fun-looking bulb pimble" bottle that is more preferred by the fun-loving Fanta target market living to the adage of the on-going Fanta Promotion of "More Fanta Less Serious" This is specifically to re-energize the Fanta market by continuously improving and exciting this segment that is majorly composed of Children and Teens. The redesign of the Sprite and Coca cola bottles was also noted in the continued packaging development

Innovation continues to be the only permanent recipe in the Coca Cola hence Kisii Bottlers strategy to address the changing competitive environment. In the struggle and eventual acceptance, after a long period of denial, to explain the market of the not-so-recommended sugar intake in caloried soft drinks, Coca cola has reverberated the market with the entry of Coke Zero,a zero sugar solution to the calorie conscious consumer that still wants his/her share serve of the refreshing Coca cola drink. This was one of the very noticeable on-going promotions in the market during the time of this research.

Coca Cola was the first company to introduce a "chilled glass door merchandizer" from its innovation platform. This is also called a fridge or a cooler, whose purpose is to work as an ambient display unit as well as a cooling unit all in one. This practice has been copied through all bottling companies like East Africa Breweries ,Keringet, Highlands to name but a few.

Movable trolleys can be seen in the market places to transport products from one point of sale to another in search of demand. Exclusive differentiated execution across all types of outlets depending on the outlet class is one of the innovation platforms Kisii Bottlers practices to offer differentiated services and prices of the same product. Kisii Bottlers uses branded boats to deliver products across the lake Victoria to its island markets where there is no link road .All these ideas are a permanent revolutionary development of getting to the market first before the competition or get to those markets that the competition cannot access.

4.2.3 Marketing Changes

From the findings it could be seen that Kisii Bottlers has undertaken an aggressive campaign in marketing against its competitors. In every six months the for example, there has been a major Promotion running in the market. These promotions are a competitive response to potential competitors such as Alvaro which is heavily promoted and other competing soft drinks and juices. Kisii Bottlers has created Strategic sales Depots (SSDs) and larger retailers with a plan of placing a cooler in every operating retail outlet in every market to address reachability in what the Coca Cola system calls "Placing the product at every arm's reach of desire". The SSDs constitute a strategy to ensure that the customer is still served easily, conveniently and effectively with an overall target of increasing the Company's operating revenue.

The study found out that extensive distribution is being carried out through electing distributors in every area. At the same time the distributor`s stock levels is maintained to a level whereby any distributor could serve an area in 4 days without stock replenishment. This prevents stock outs. Equally, there is the presence of Strategic Sales Deports (SSDs) which also serve as mini distributors' holding particularly in the remote areas. Availability is further enhanced by having large stocks in retail stocks, large enough to serve the surrounding areas before the distributor vans replenish the stocks in their next visit. Kisii Bottlers also has the sales and marketing executives and managers whose basic brief is to ensure 100% products route/distribution coverage.

New products development has been used to add up to the wider product ranges offered by Coca-Cola's Kisii Bottlers Ltd. The wider product ranges gives the customers a wider choice from where to choose from. The coca cola brand for example has its variants coke diet and coke zero. Fanta has the variants Fanta orange, citrus and strawberry. We also have sprite and a range of many other brands for the soft drinks category. For juices there is, five alive and sunfill and Orange pulp, among others, while there is Dasani for the water category, and Burn as an energy drink.

The findings also indicate Kisii Bottlers like any other bottlers, has undertaken an increase in the number of merchandisers promoting product sales and marketing new products and concepts. The continued positioning of the Brand Coke in billboards, and at every point of purchase, supermarkets, and posters are also a part of the marketing campaigns by Kisii Bottlers Limited.

Pricing was also observed as a response strategy utilized in the just concluded rollback of all the retail prices of all brands in across the range, in preparation to the expected entry of Pepsi Cola into the Kenyan market. This manipulation of the marketing mix elements of pricing, promotion, product and place is a preserve of a strongly positioned Company in the market and can be used as a response in times of turbulent competition to wade off new competitors into its market with minimal disruptive cost or earnings.

4.2.4 Technological Changes

The installation of a new production line worth more than Kshs 800 million to increase capacity is a response towards the need to increase production so as to serve customer's demands and also save on efficiencies and production costs. At the same time, non-core functions such as ,motor vehicle maintenance, distribution, braning and auditing have been outsourced to save on costs.

The use of ICT is now common place in any company, 70% of Kisii Bottlers' staff especially top management are IT compliant. This means they could utilize IT for competitive edge creation. Kisii Bottlers has an established IT department with an entrenched Enterprise Resource Planning running which has computerized all the internal operations of the firm to one platform raising the intra-access to information for faster decision making.

IT is being used to link the distributors to firm for speedy distribution service and accountability of the revenue. IT has been used in procurement and records keeping thereby reducing time and costs, speed and efficiency to great levels.

4.2.5 Economic Changes

The economics of the bottling industry at Coca Cola's Kisii Bottlers has changed. This has been occasioned by the demand of the parent Company insisting on three drivers of sustainable growth, and these are Turnover, Operating Revenue and Profitability. The last two are the most important but are however driven majorly by growth in Turnover.

These demands have pressured Kisii Bottlers Limited, which is faced by a declining performance in all the three aspects to seek solutions outside itself so as to attain the shareholder demands. The stagnating growth of these three metrics have been caused by competition in the market place, increasing costs of raw materials and production costs. The research revealed that Kisii Bottlers has engaged its sister Bottlers into a planned merger. The merger which they refer to as Consolidation is aimed at bringing the business territories of the three Bottlers; Kisii, Rift Valley and Mount Kenya Bottlers together as a mass market, consolidate the procurement of raw materials together and bring the production and warehousing of its products under one roof for purposes of chasing the related economies of scale.

By so doing the Bottlers together will address the increasing costs of production and marketing through a cost management structure that will see a reduced staffing level, enlarged discounts from increased or consolidated volumes of raw materials procured, and improved efficiencies from long production runs and an increased specialization production of packages on varied lines, and thereby saving time by avoiding many costly change-overs from brand to brand. These merger that has been economically driven is planned as a major response to the changing operating environment that will see Kisii Bottlers Limited increasing its operating revenues and improving its profits sustainably.

4.2.6 Cultural Changes

Positive culture change is crucial as a response to competition. Kisii Bottlers has been going through culture change. It has scored greatly approximately 80% on customer care and focus as Customer care was ranked the second most important factor as a response to competition. More focus in customer care is seen in the provision of technicians who repair the coolers on a daily basis. 90% customers in urban areas are provided with fridges to take care of cold beverages. There is also the sale of ice as a complementary business to take care of non-chilled outlets. This makes competitors to find it difficult to penetrate this non-chilled market. This change of culture was also witnessed in the market as all retailers are trained to offer the beverages at cold temperatures.

The findings also indicate that the changes in the customer and consumer profiles have driven Coca-Cola's Kisii Bottlers Limited to craft responses that that will address on-the-go markets by the introduction of the Plastic one way packaging as many consumers now will like to have refreshments as they travel. The one-way packaging removes away the inconvenience of bottle deposits or return of containers. In the same vein ,soft drinks have found their way onto the breakfast, lunch and dinner tables in affluent homes and by this new consumer demand Kisii Bottlers has in its product portfolio the 1litre and 2litre one way family packages as a response to this cultural change in its consumer call, that is equivalent to share across four to six people at once.

4.2.7 Cost Leadership Strategy as a Response

The study also found out that Kisii Bottlers utilizes Ansoff's Generic strategies of cost leadership differentiation and focus as a response to the changes in its operating environment. Kisii Bottlers has also applied a less costly method of outsourcing minor functions such as auditing, cleaning, and security. There is also semi outsourcing of the transport system.

However, the main cost saving measure has been the installation of the more than Kshs.800 million production equipment capable of rolling 36,000 bottles per hour an improvement from the old 24,000 bottles per hour facility, to meet the ever increasing demand for the company products. The latest state of the art machine has reduced the production runs, saved the company form overtime and increased efficiencies in raw material usages. This strategy is seen as a response to ameliorate the rising costs of doing business by reducing the internal costs of production and therefore making savings.

4.2.8 Differentiation Strategy as a Response

Differentiation strategy involves creating a product that is being perceived as being unique or superior value to the customer and therefore attract customer loyalty, pricing not withstanding additional costs of differentiating the product could require a premium pricing strategy. The study found out that Dasani`s packaging and positioning is unique to those of competitors. All the other waters in the market are labeled as Mineral water, when in essence its commonly known that there are almost no virgin water basins where you can bottle environmentally clean water from source given the pollution levels in Kenya now. Dasani as brand has positioned itself not as Mineral water but as "Purified and Balanced water" For this reason Dasani is preferred as the water of choice given its positioning and therefore endearing customers to be loyal to the Dasani brand. Coca Cola`s soft drink products as it was found out have a class of their own as they are perceived as being unique, of quality and conform to international standards. This makes the difference between Kisii Bottlers' products and those of the competition.

Through research and development Kisii Bottlers through Coca cola, have come out strongly on product development skills and continuous differentiated marketing more especially in the manner in which it crafts its promotions as revealed in this research. Strong Creativity and innovativeness was observed to characterize the differentiated nature of the Coca cola Promotions for example changing the language and tone of the promotions into Kiswahili to address the commonest used language across its market environment.

4.2.9 Focus Strategy as a Response

As a response strategy the focus strategy encompasses the selection of a few target markets with the greatest potential and invests heavily around them. The study, found out that Kisii Bottlers has extensively applied Focus as a strategy. First of all, Kisii Bottlers focuses on the specific markets that they call "Basic markets" in every territory. These Basic markets tend to host the largest populations, and their per capita incomes are higher than other rural markets. These are normally district headquarters or provincial headquarters which hosts the working class. This is why the company has a team of merchandisers who handle specific customer needs in these markets for example merchandising of the company products, training specific customers on product ordering, rotation, and sales and use of company coolers, making present communication materials every single time and refreshing them, availing on-the-go packages for travelling and driving consumers and the take home packages as they are affordable in these basic markets.

The company technicians also focus on identifying and solving cooler defects while the sales representatives attend to specific retailers` needs for example the size of the cooler needed in relation to demand and customer capital capabilities. Kisii Bottlers also, focuses on the non-chilled outlets through the distribution and sales of ice, to the outlets at subsidized prices. Similarly, there is also focus strategy application in its product ranges. Coke diet, Coke Zero and water are positioned in the basic markets for affording trendy health conscious consumers.

4.3 Discussions of Findings

The interviewees were asked about their professional qualifications and experiences. Findings indicate that professionally qualified and experienced managers create a strategic competitive advantage for the firm. These findings are in agreement with studies undertaken by (Mogeni K,2008) on responses of Coca Cola to the competitive environment. Only staff trained in strategy formulation and implementation can be able to address the correct responses required to face off the changes in the operating environment.

From the observations recorded it could be noted that the CEO is a graduate and has the requisite experience necessary at the level of policy formulation for the competitive strategy required. At the same time all the section heads hold a degree. This means that this group has the capacity to do strategy formulation. However, it could be noted that two sales managers do not have a degree in the relevant field, meaning that strategy implementation at times experiences difficulties at Kisii Bottlers Limited. Other researchers for example Kombo H K(1999) who researched on the Strategic Responses by firms Facing Changed Environmental Conditions, a study on Motor Vehicle Frachises in Kenya, have put a strong argument on the synergy required from strategy formulation to implementation. The findings point out that strategy implementation processes need to be flawless for the firm to achieve its long objectives. These findings are in agreement with those of Okoth (2005) who did research on the competitive strategies employed by Sugar firms in Kenya.

Firm structure is also critical in relation to implementation of strategy as Organization's structure affects efficiency and effectiveness at the firm Ansoff & McDonnel(1999). The Kisii Bottlers structure is quite simple with a clear chain of command and delineation of responsibilities as observed. Kisii Bottlers' simplified organizational structure is good and assists quick decision making although it lacks in the effective use of IT as a driver in the management of its field and trade practices. This omission of the trade practices from the organization's Enterprise Resource Planning facilitates supervisory gaps in the execution of the relevant details required in customer and consumer outreaches, and hence positive responses like managing product and or brand shortages in the market, and managing delays in deliveries are likely to be experienced. This will however disagree with Abdalla H K,(2001) An Empirical Study of the Strategic Marketing Practices of the Soft Drinks Industry in Kenya, which emphasized on a compound structure that will separate management activities into specialized functions for effective implementation of strategy and focus.

Over the last five years Kisii Bottlers has responded to the changes in the environment in the form of restructuring. Given the increased costs of operations especially in the sales and marketing force, the findings indicate that the sales force has been a challenge in senior management. The increase in headcount of the sales force has no direct relationship to sales performance and growth but rather the two are inversely related.

It was found other that 20% of the distributors are not only semi illiterate but also run other businesses. This may likely deviate their concentration from specializing in effective distribution. The capital invested in distribution is also likely to be misdirected into other trade activities competitive to the Kisii Bottlers business. The erection of sole distributors can be a welcome discipline to fortress other responses in managing trade practices.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations for further research of the study. It also captures the limitations and suggestions for policy and practice.

5.2 Summary of Findings

The objective of this study was to find out the responses to the changes in the operating environment by Kisii Bottlers Ltd. A study on Kisii Bottlers was subsequently carried out and top managers at the Company were requested to complete the questionnaire. Five managers completed the questionnaire and this represented 84% of the response rate. The competitive situation of Kisii Bottlers Ltd has been punctuated by barriers to entry, rivalry amongst existing competition threat of substitutes and power of suppliers among others. The results indicated that Kisii Bottlers Limited, as one of the franchises of the Atlanta based Coca Cola International in the United States of America, articulated its response strategies in the Franchise spirit of "Thinking Global and Acting Local" to wade the challenges brought about by the ever changing nature of its operating environment.

From the study findings, it was shown that Kisii Bottlers subscribes 90% to Coca Cola's response strategies. This is because ,franchising as a strategy allows the parent company, to exercise control over the franchise(s) without large direct capital investment. It is only a few of the response strategies, especially the ones to do with its Corporate Social

Responsibility imaging that was not a direct influence of the Franchise. This scenario was necessary to allow for the firm and environment specific strategies.

The manipulation of the marketing mix strategies such as pricing, product and place(distribution), together with other strategies were therefore found to be strategies centrally directed and authorized on Kisii Bottlers Limited by the Franchise; Coca cola international. Kisii Bottlers employed a wide range of responses to the changes in the operating environment by use of promotions such as Fanta's More- Fun- Less- Serious, the ongoing Coke Zero launch efforts which were carried out throughout the Kenyan territory as part of Product Development responses, others were responses to counter Marketing changes, technological changes, Packaging and Innovation changes, Restructuring/Consolidation(Merger), Cultural changes, and use of Information Technology applications as responses to changes in communication technology among others. Kisii Bottlers also employed the use of generic strategies such as focus, differentiation and cost leadership.

According to the managers, the main reason for the existence of Kisii Bottlers is profit and shareholder wealth maximization. This is achieved through market leadership in offering products of value to customers and cost reduction among others. Brand development was found to be a great asset toward this end hence the reason for ensuring 100% coke availability and ensuring that distributors adhere to international operating standards especially in terms of minimum stock operating standards.

Ansoff (1987) liberalization has made business environment competitively stiff. The soft drinks industry has not been spared in the increased competition. Each bottling plant in Kenya faces more external rivalry in its attempt to attain more market share. This calls for strategic leadership which must come up with strong product and service delivery to handle the stiff competition. Equally Kisii Bottlers must come up with aggressive defensive strategies to counter competition. Kisii Bottlers has also responded to competition by coming up with its environment specific strategies which endear it to its customers making it difficult for competitors to penetrate this market. In this respect, the company distributes and sells ice to its non-chilled outlets at reduced prices. The manufacturing of ice and its distribution is thus an expensive strategy to competitors especially those whose location is far several kilometers away from the location of the customers. Similarly the Bottler hires out its chairs and tents at heavily subsidized rates to its customers as part of its corporate social presence profiles.

Amongst the notable competitors Kisii Bottlers faces are the juice companies such as Delmonte , the water firms such as Keringet, and town council water providers and other soft drinks providers such as East Africa Breweries' Alvaro and Kuguru's Softa.

5.3 Conclusions of the Study

It is important to note some of the challenges Kisii Bottlers has faced in the implementation of responses to changes in its operating environment. These are; The rising costs of energy, higher taxation levels, political turbulence especially in 2007/2008, lack of total autonomy, unfair competition through the unregulated cheap imported substitutes and the location of the Company itself in the depth of the rural South Western part of the country. which makes it difficult for the Company to attract and retain top Human Resource capabilities in this local geography.

It is also important to applaud the attempted efforts for the responses and strategies summarized above including the outsourcing of auxiliary services that are non-core to the production distribution and sale of carbonated soft drinks which is the core business of the firm. These responses and strategies have managed to keep Kisii Bottlers competitive and positioned in the market.

5.4 Recommendations for Policy and Practice

Kisii Bottlers Ltd needs to put in place a broad research and development investment to assist in studying the changes in the local operating environment so as to provide the Company with real time relevant sector developments to continuously enable the firm to adequately prepare responses to cushion its operations and plans from the turbulent shocks and create a sustainable competitive edge for the firm.

It is also important that the Kisii Bottlers management explores the possibility of outsourcing additional functions such as hiring of salesmen vans, fleet management, and the manufacturing and distribution of ice. If this is done, it is hoped; the competitive positioning of the firm will be taken a notch higher and is likely to create value and a sustainable competitive advantage.

5.5 Limitations of the Study

The unwillingness of the respondents to supply the research with the total responses and the reasons to the particular responses was a limiting factor. The interviewees were suspicious that the answers they gave could expose their competitive edge to their competitors and or they seemed to lack outright authority to give the information. On the other hand since the research targeted top managers, they were jittery about exposing their identity for fear that the firm would not be comfortable with such exposure of the firm`s strategy to third parties.

Time was also a limiting factor. The researcher is in full time employment and thus did not have enough time in the collection of data. The top management whom the study targeted is a very busy category and did not have adequate time to adequately respond to the questions posed from the study.

Limited resources on the part of the researcher were another limitation. The research project lacked adequate funding and time on the part of interviewees for covering all the required details of the study.

5.6 Recommendations for Further Research

It is recommended that further research be undertaken on the following; The impact of the intended merger on Kisii Bottlers with its sister Beverage Companies on the future growth and positioning of the firm. This will shade light on the strategic decisions firms may in future make in the cause of seeking for survival in the market place.

It is also recommended that further research be carried out on the impact of post-election violence on Kisii Bottlers' business. Kisii Bottlers' over 1 Billion Ksh investment expansionist strategy as a response to competition, that was quickly caught up with the mess of the violence, may have impacted negatively on its financial solidity afterwards.

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Appendix i: LETTER OF INTRODUCTION

Dear Respondent,

This questionnaire is designed to gather information on "RESPONSE OF KISII BOTTLERS TO CHANGES IN THE OPERATING EXTERNAL ENVIRONMENT IN KENYA". The study is being carried out for a management project paper as partial fulfillment of the degree of Master of Business Administration (MBA) of the University of Nairobi.

The information you shall avail will be treated with confidentiality and in no instances will your name be mentioned in this research. Also, the information will not be used for any other purpose other than for this academic exercise.

Your assistance in facilitating the same will be highly appreciated. A copy of this research paper will be made available to you upon request.

Thank you in advance.

Your Sincerely,

Abiner Onsomu

MBA Student

Professor Ogutu

University Supervisor

Appendix ii: INTERVIEW GUIDE; Responses of Kisii Bottlers Limited to Changes in the Operating Environment

SECTION A: PERSONAL DATA OF INTERVIEWEES

1. Name of Company Manager (optional)

2. Which Position do you hold in this company?

3. For how many years have you worked in this organization?

4. What is your highest level of professional qualification?

SECTION B: CHALLENGES IN THE OPERATING ENVIRONMENT

5. What management challenges are you facing when dealing with changes in the operating environment?

6. Which competitive challenges are you facing as a firm?

7. Which key issues in the changing technology are affecting the profitability of your firm?

8. Which specific changes in customer tastes and preferences impact on your business?

9. What economic changes in the operating environment have the greatest impact on your business?

10.What social cultural changes within your operating environment have impacted on your business?

SECTION C: RESPONSES ADOPTED BY KISII BOTTLERS LIMITED

11 How has your company responded to the following challenges in the operating environment?

i) Stiff competition

ii) Technological changes

iii) Changes in customer tastes and preferences

iv) Socio-cultural changes

v) Economic changes