RESPONSE STRATEGIES OF INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION TO CHANGES IN THE EXTERNAL ENVIRONMENT IN KENYA

BY

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DECLARATION

Declaration by the candidate This research is my original work and has not been submitted to any other institution for the award of any degree certificate

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Declaration by the supervisor

This research project has been submitted to the School of Business, University of Nairobi by my approval as the candidate's project supervisor.

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May God bless you all.

DEDICATION

To my late parents for teaching and creating in me a thirst for knowledge.

ABSTRACT

Strategy of the firm is the match between its internal capabilities and its external relationships. Ideally, an organization wants a close match with its environment which is underpinned by its resources and values. A host of external factors influence a firm’s choice of direction and action and, ultimately, its external structure and internal processes. Development Finance Institutions (DFIs) in Kenya were set up to provide long term finance to prioritized sectors as part of the industrialization strategy. For four decades since its formation, the Industrial and Commercial Development Corporation (ICDC), like all other DFIs in Kenya, was a highly effective DFI. In the past two decades however, it has become a peripheral player in the financial and investment services market.This study sought to find out the changes in the external environment that the Industrial and Commercial Development Corporation considers to affect them most, the response strategies it has adopted, and their effectiveness.The study used a case study research design. The main data for this study was secondary data, which involved in- depth interviews with the respondents. The data was analysed using content analysis. The findings from the study showed that there were major changes in the external environment that affected the Industrial and Commercial Development Corporation and its effectiveness in the market. The Corporation made a number of strategic responses to counter the changes. Some of the changes were beyond the control of the Corporation; hence the responses made were not sufficient to counter the changes. However, there were additional responses identified which would have made the responses more effective.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Development Finance Institutions (DFIs) play an important role in serving the investment needs in developing and transition economies (Development Finance Explained, 2006). Currently, seven government owned DFIs can be identified in Kenya. The DFIs were set up to provide long term finance to prioritized sectors as part of the industrialization strategy. Despite the existence of DFIs since the 1960s and 1970s, there is still a glaring development financing gap in Kenya, thus raising concern as to how the private sector is going to expand and grow without appropriate finance to ensure long-term investment (Njenga et al, 2006).

This study explored the response strategies that the DFIs in Kenya have adopted in order to successfully play the role for which they were formed. The Industrial and Commercial Development Corporation (ICDC) has been used as a case study having been the pioneer DFI in Kenya. It was incorporated through the ICDC Act in 1954 to facilitate industrial and economic development in Kenya.

1.1.1 Response strategies

Strategy of the firm is the match between its internal capabilities and its external relationships. It describes how it responds to its suppliers, customers, its competitors and the social and economic environment within which it operates (lynch, 2009). Strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. This is known as the strategic fit. The notion of strategic fit is developing strategy by identifying opportunities in the business environment and adapting the resources and competencies so as to take advantage of these (Johnson & Scholes, 2002).

Ideally, an organization wants a close match with its environment which is underpinned by its resources and values. An organization’s resources include its facilities, staff, knowhow and money. Values are the beliefs of the Organizations that in turn determine the expected behaviors from managers and employees (Capon, 2008). The strategies that an organization actually pursues are typically a mixture of the intended and the emergent. Intended strategies are the product of formal strategic planning and decision making, but the strategy that is actually pursued is somewhat typically emergent including bottom up initiatives, rapid responses to anticipated opportunities and threats, and sheer chance (Johnson et al, 2008).

1.1.2 The external environment

According to Pearce, Richard and Amita (2008), a host of external factors influence a firm’s choice of direction and action and, ultimately, its external structure and internal processes. These factors constitute the external environment and can be subdivided in to three interrelated subcategories, namely; factors in the remote environment, factors in the industry environment, and factors in the operating environment. In combination, these factors form the basis of the opportunities and threats that a firm faces in its competitive environment.

The remote environment comprises factors that originate beyond, and usually irrespective of any single firm’s operating situation. It consists of the economic, social, political, technological, and ecological factors. This environment presents firms with opportunities, threats, and constraints, but rarely does a single firm exert any meaningful reciprocal influence (Pearce et al, 2008).

The industry environment consists of the general conditions for competition that influence all businesses that provide similar products and services (Pearce et al, 2008). According to Johnson & Scholes (2002), competitiveness in business is about gaining advantage over competitors: in public sector it might be demonstrable excellence within a sector and/or advantage in the procurement of resources. The essence of strategy formulation is coping with competition. In the fight for market share, competition is not manifested only in the other players, but rather it is also rooted in the industry’s underlying economics , and competitive forces exist that go beyond the established combatants in a particular industry. Customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry. The state of competition in an industry depends on five basic forces, namely: threats of new entrants, bargaining power of suppliers, bargaining power of buyers, threats of substitute products and the intensity of rivalry of industry competitors. The collective strength of these forces, determines the ultimate profits of an industry.

The Operating environment, also called the competitive or task environment, comprises factors in the competitive situation that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services. Among the most important of these factors are the firm's competitive position, the composition of its customers, its reputation amongst suppliers and creditors, and its ability to attract capable employees. The operating environment is typically much more subject to the firm's influence or control than the remote environment. Thus the firms can be more proactive (as opposed to reactive) in dealing with the operating environment than in dealing with the remote environment (Pearce et al, 2007).

1.1.3 Development Finance in Kenya

Development finance is a specialized sector of the finance industry that aims to bridge the gap between commercial investment and government development aid. In Kenya the state owned DFIs are:Industrial and Commercial Development Corporation (ICDC)incorporated in 1954 offering equity and loans in medium-and large-scale industrial and commercial projects as well as loans for small-scale projects; Development Finance Company of Kenya (DFCK)currently known as Development Bank of Kenya (DBK) was incorporated in1964 offering equity and loans in medium-and small-scale projects, mostly manufacturing as loans to small-scale projects; Agricultural Development Corporation (ADC), incorporated in 1965 offering management of state and private farms as well as equity and loans in agro-industrial enterprises; Kenya Tourist Development Corporation (KTDC) incorporated in1965 offering equity and loans in tourism projects and hotel management; Kenya Industrial Estates (KIE) incorporate in 1967 offering development of industrial estates; Agricultural Finance Corporation (AFC) incorporated in 1969 providing agricultural loans; Industrial Development Bank (IDB)incorporated in1973, providing equity and loans in medium and large scale industrial projects (Grosh, 1991 and Government of Kenya Development Plans, 1970-1974and 1974-1978 as quoted in(Njenga, Ngugi& Mwaura, 2006).

Development Finance Institutions (DFIs) in Kenya were set up to provide long term finance to prioritized sectors as part of the industrialization strategy. Despite the existence of DFIs since the 1960s and 1970s, there is still a glaring development financing gap in Kenya, thus raising concern as to how the private sector is going to expand and grow without appropriate finance to ensure long-term investment (Njenga et al, 2006).

1.1.4 Industrial and Commercial Development Corporation

ICDC was incorporated through the ICDC Act in 1954 to facilitate industrial and economic development in Kenya. The Corporation was intended to act as a catalyst in promoting commercially viable projects through equity financing, financial syndication, joint ventures or direct lending (ICDC strategic plan, 2011).The Corporation was established to lend to small businessmen, especially those acquiring businesses from non-citizens and those wishing to expand their trading activities. Further, under the Small Industrial Loans Scheme (SILS), Kenyans were assisted in acquiring enterprises dealing with saw milling, woodwork, shoe making, leather processing and clothing.

Changes in the economic environment such as liberalisation, has resulted in a number of services for which development finance institutions (DFIs) were formed being offered by other players including commercial banks and non-banking financial institutions. For ICDC to remain relevant it needs to have effective response strategies that will ensure that it remains relevant (ICDC strategic plan 2011).

1.2 Research problem

Response strategies refer to the actions taken by an organization reacting to changes in the environment, to determine the direction and scope of an organization over the long-term. The aim of these responses is to achieve advantage for the organization through its configuration of resources within the challenging environment, to meet the needs of markets and to fulfill stakeholder expectations(Johnson and Scholes, 2002).A host of external factors influence a firm’s choice of direction and action and, ultimately, its external structure and internal processes. These factors constitute the external environment and can be subdivided into three interrelated subcategories, namely; factors in the remote environment, factors in the industry environment, and factors in the operating environment. In combination, these factors form the basis of the opportunities and threats that a firm faces in its competitive environment (Pearce II et al, 2008).

For four decades since its formation, the Industrial and Commercial Development Corporation (ICDC) was a highly effective DFI promoting job creation and economic growth through involvement in industrial and commercial projects. In the past two decades however, ICDC has become a peripheral player in the financial and investment services market. It faces a major challenge in justifying its existence and relevance to key stakeholders. ICDC has had three documented five year corporate strategic plans. The three plans were for the period 1999 to 2004, 2004 to 2009 and the current one of 2009 to 2014. It is therefore necessary to identify the strategies that ICDC has adopted over time and to evaluate whether they have been effective.

Previous researches have concentrated on the process and the challenges of implementing strategies by various organizations. Such researches include: Competitive strategies adopted by Five Forty aviation Limited, Yienya(2009), Strategic responses to financial distress by commercial banks in Kenya, Yator (2009), Response of the KPLC to changes in the environment (Maina, 2005),and Responses by the HELB to the environmental challenges of financing higher education in Kenya (Lalampaa, 2006), among other researches. No research has been carried out to find out the success of these responses. Furthermore there has been very little research in the specific area of Development Finance institutions (DFIs). In her research- Strategic responses of public development Financial Institutions in Kenya, Njirithia (2007) recommended more research in the area of the success of the responses by DFIs. Karuri (2006) in her study; Challenges of strategy implementation in DFIs: a case study of ICDC, did not evaluate the effectiveness of the strategies.

This study sought to answer the questions: What are the changes in the external environment that the Industrial and Commercial Development Corporation considers to affect them most? What are the response strategies has it adopted? Have the response strategies adopted been effective?

1.3 Research objectives

The study had three objectives. These were;

i. To determine the changes in the external environment which the Industrial and Commercial Development Corporation considers to affect them most.

ii. To establish the strategies adopted by the Industrial and Commercial Development Corporation to address the external environmental changes.

iii. To determine the effectiveness of the response strategies adopted by the Industrial and Commercial Development Corporation.

1.4 Value of study

DFIs and all organization work in the framework of an external environment that is constantly changing. Strategic responses are crafted by organizations to respond to this changing environment. The existing body of knowledge based on previous researches is deficient in terms information of how effective these response strategies have been. This study sought to inform the existing body of knowledge on the effectiveness of the strategies adopted by DFIs through the case study of the Industrial and Commercial Development Corporation.

Scholars in the previous researches have focused more on evaluating the responses to the external environment. No research has been carried out to find out the success of these responses. Furthermore there has been very little research in the specific area of Development Finance institutions (DFIs). This study sought to stimulate further researches on the effectiveness of response strategies adopted by DFIs and all organizations in general.

The Industrial and Commercial Development Corporation has had three documented five year corporate strategic plans since 1999. In spite of this the Corporation has during the same period become a peripheral player in the financial and investment services market. This study brings out the changes in the external environment which the Industrial and Commercial Development Corporation considers to affect them most and establishes the strategies adopted to address the external environmental changes. Of additional value was the evaluation of whether the strategies have been effective and recommendation on the ways to make future strategies more effective.

CHAPTER TWOLITERATURE REVIEW

2.1Introduction

This section explores the existing literature on the subject of response strategies to changes in the external environment. It brings out the existing theoretical framework on the topic as outlined by various scholars and authors.

2.2 External environment

The external environment of an organization in business is the pattern of all the external conditions and influences that affect its life and development (Mintzberg& Quinn, 1991). A company's macro environment includes all relevant factors and influences outside the company's boundaries that are important enough to have a bearing on the decisions the company makes about its direction, objectives, strategy and business model (Thomson, Strickland & Gamble, 2007).

Hitt, Ireland &Hoskisson (1997), identifies three components of external environment, namely; the general, industry and competitor environment. Similarly, Pearce, Richard and Amita (2008),identifies three components of the external environment, namely; factors in the remote environment, factors in the industry environment, and factors in the operating environment. In combination, these factors form the basis of the opportunities and threats that a firm faces in its competitive environment, as conceptualized in the framework below:

The firm's external environment framework

Remote environment

- Economic
- Social
- Political
- Technologica l
- Ecological

Industry environment

- Entry Barriers
- Supplier power
- Buyer Power
- Substitute availability
- Competitive rivalry

Operating Environment

- Competitors
- Creditors
- Customers
- Labor
- Suppliers

The firm

Figure 1.1, extracted from Pearce, et al (2008)

Pearce et al, (2008) see the remote environment as comprising of factors that originate beyond, and usually irrespective of any single firm's operating situation. It consists of the economic, social, political, technological, and ecological factors. This environment presents firms with opportunities, threats, and constraints, but rarely does a single firm exert any meaningful reciprocal influence.

The industry environment consists of the general conditions for competition that influence all businesses that provide similar products and services (Pearce et al, 2008). Hill & Jones (2001) views an industry as a group of companies offering products or services that are close substitute for each other. According to Johnson & Scholes (2002), competitiveness in business is about gaining advantage over competitors: in public sector it might be demonstrable excellence within a sector and/or advantage in the procurement of resources. The essence of strategy formulation is coping with competition. In the fight for market share, competition is not manifested only in the other players, but rather it is also rooted in the industry's underlying economics , and competitive forces exist that go beyond the established combatants in a particular industry. Customers, suppliers, potential entrants, and substitute products are all competitors that that may be more or less prominent or active depending on the industry. The state of competition in an industry depends on five basic forces, namely: threats of new entrants, bargaining power of suppliers, bargaining power of buyers, threats of substitute products and the intensity of rivalry of industry competitors. The collective strength of these forces, determines the ultimate profits of an industry. Grants (1996), argues that understanding how firms compete in order to serve customers' needs, will help a firm identify opportunities for competitive advantage within an industry.

The operating environment, also called the competitive or task environment, comprises factors in the competitive situation that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services. Among the most important of these factors are the firm's competitive position, the composition of its customers, its reputation amongst suppliers and creditors, and its ability to attract capable employees. The operating environment is typically much more subject to the firm's influence or control than the remote environment. Thus the firms can be more proactive (as opposed to reactive) in dealing with the operating environment than in dealing with the remote environment (Pearce et al, 2008).

2.3 Organization and environment

Organizations, at all levels need to develop the ability to collect and utilize information about their external and internal environments (Burnes, 2004). According to Wheelenand Hunger (2008), before an organization can begin strategy formulation, it must scan the external environment to identify possible opportunities and threats and its internal environment for strengths and weaknesses. A Corporation uses this tool to avoid strategic surprise and to ensure long-term health.

According to Pearce et al (2008), each firm must consider the economic trends in the segments that affect its industry. On both the national and international level, managers must consider the general availability of credit, the level of disposable income and the propensity of people to spend. They should also monitor prime interest rates, inflation rates and trends in the growth of the gross domestic product. Informed estimates of the impact of alterations such as geographical shifts in populations and changing work values, ethical standards and religious orientations can help a strategizing firm in its attempts to prosper. Political factors may either limit or benefit the firms they influence. Firms must strive for an understanding both of the existing technological advances and the probable future advances that can affect their products and services through technological forecasting. Corporate environmental responsibility must be taken seriously and environmental policy must be implemented to ensure a comprehensive organizational strategy.

According to Michael Porter as quoted in Johnson, Scholes, &Whittington (2008), alive forces framework constitutes a good method for analysis of the industry structure. The forces are ; the threat of entry to an industry; the threat of substitutes to the industry's products or services; the power of buyers of the industries products or services; the power of suppliers in the industry; and the extent of rivalry between competitors in the industry. Where the five forces are high, then industries are not attractive to compete in. There will be too much competition and too much pressure to allow reasonable profits. The analysis should next prompt investigations into which industries to enter or leave, what influence can be exerted and how the competitors are differently affected.

The operating environment, also called the competitive task or task environment comprises factors in the competitive situation that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services. Among the most important of these factors are the firm's competitive position, the composition of its customers, its reputation amongst suppliers and creditors, and its ability to attract capable employees. The Operating environment is much more subject to the firm's influence or control than the remote environment. The firms can be much more proactive in dealing with the operating environment than in the remote environment (Pearce et al, 2008).

Johnson et al (2008), argues that when the business environment has high levels of uncertainty arising from either complexity or rapid change, or both, it is impossible to develop a single view of how environmental influences might affect an organization strategies and would be indeed dangerous to do so. According to Capon (2008), the external environment is an immensely complex and dynamic place and therefore, performing an analysis of the external environment of an organization requires access to a wide range of information. If this information is not available within the organization, it may have to be sought, collected and collated from other sources.

2.4 Response strategies

Strategy of the firm is the match between its internal capabilities and its external relationships. It describes how it responds to its suppliers, customers, its competitors and the social and economic environment within which it operates (Lynch, 2009). Strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. This is known as the strategic fit. The notion of strategic fit is developing strategy by identifying opportunities in the business environment and adapting the resources and competencies so as to take advantage of these. This would be important in order to achieve the right positioning of the organization (Johnson & Scholes, 2002).

According to Ohmae as quoted in Capon (2008), strategy is about trying to influence where possible, the external environment in which the company operates; differentiating to add unique value to products and services; and thoroughly understanding the market place, its segmentation and the customers. According to Ohmae, three Cs interact and try to influence one another. Corporations or companies seek to beat direct competitors on cost or seek to add more value for the same cost than competitors are able to do. However, the added value has to be perceived as such in the eyes of the paying customer.

Ideally, an organization wants a close match with its environment which is underpinned by its resources and values. An organization’s resources include its facilities, staff, knowhow and money. Values are the beliefs of the Organizations that in turn determine the expected behaviors from managers and employees (Capon, 2008). The strategies that an organization actually pursues are typically a mixture of the intended and the emergent. Intended strategies are the product of formal strategic planning and decision making, but the strategy that is actually pursued is somewhat typically emergent including bottom up initiatives, rapid responses to anticipated opportunities and threats, and sheer chance (Johnson et al, 2008).

According to Capon (2008), choice is about what the organization wants to do and involves identifying strategic options, which include competitive strategy, corporate strategy, international strategy, market options and growth strategy. Competitive strategy involves the company deciding to be low cost or added value producer, in a mass or niche market. Market options include market penetration, product development, market development or diversification. Growth strategy covers how an organization chooses to expand, through various options such as organic growth, acquisitions and strategic alliances. International strategy refers to how a company develops an international strategy and expansion.

Organizations require an effective competitive strategy to operate successfully in a market where there is established and potential competition. Michael Porter as quoted in Capon (2008) developed the generic competitive strategies: cost leadership, differentiation and focus. A cost leadership strategy requires that a broad target or mass market be supplied with standard products or services. A successful cost leader in an industry will be the lowest cost producer in the sector and offer the mass-market products and services of a quality comparable to that offered by direct competitors. A differentiation strategy, like cost leadership strategy, targets a mass market. However, differentiation strategy is used to offer the customer added value, rather than the reduced costs and lower prices of a cost leadership strategy. The differentiation strategies are used to aim for a niche market, or a section of the market which is not served well by mainstream competitors in the sector. A company implementing a focus strategy is more likely to succeed if it centers its efforts on a number of niche market sectors and serves only them to the exclusion of other broad market segments.

According to Pearce et al (2008), business success built on cost leadership requires the business to be able to provide its product or service at a cost below which the competitors can achieve. This must be sustainable cost leadership through skills and resources that foster cost leadership and organization requirements to support and sustain cost leadership activities. Differentiation requires that the business have sustainable advantages that allow it to provide buyers with something uniquely valuable to them. This must be sustainable through skills and resources that foster differentiation and organization requirements to support and sustain differentiation activities. The experience of many businesses indicates that the highest profitability levels are found in businesses that possess both types of competitive advantage at the same time.

According to Pearce et al (2008), skills and resources that foster cost leadership are: sustained capital investments and access to capital; process engineering skills; intense supervision of labor or core operations; products or services designed for ease of manufacture or delivery; and low-cost distribution system. On the other hand, organizational requirements to support and sustain cost leadership activities are: tight cost controls; frequent, detailed control reports; continuous improvement and bench marking orientation; structured organization and responsibilities and incentives based on meeting strict, usually quantitative targets.

The skills and resources that foster differentiation are; strong marketing abilities; product engineering; creative talent and flair ; strong capabilities in basic research; corporate reputation for quality or technical leadership; long tradition in an industry or unique combination of skills drawn from other businesses; strong cooperation from channels; and strong cooperation from suppliers of major components of the product or service. Organizational requirements to support and sustain differentiation activities are: strong coordination among functions in research and development, product development and marketing; subjective measurement and incentives instead of quantitative measures; amenities to attract highly skilled labor, scientists and creative people; tradition of closeness to key customers; and some personnel skilled in sales and operations –technical and marketing(Pearce et al, 2008).

Pearce et al (2008) also adds speed based strategies as a competitive advantage. He argues that although speed is a form of differentiation, it is more than that. Speed involves the availability of a rapid response to a customer by providing current products quicker, accelerating new product development or improvement, quickly adjusting production processes and making decisions quickly.

According to Johnson et al, (2008), at the corporate level strategy, an organization has the choice between: penetrating further in to its existing sphere; consolidation by protecting the existing products and existing markets; developing new products for its existing markets, bring its existing products in to new markets; or full diversification altogether with new markets and new products. Market penetration is where an organization gains market share of its existing market with its existing product range. In consolidation, organizations focus defensively on their current markets with currents products. Through product development, organizations deliver modified or new products or services to existing markets. Market development involves offering existing products to new markets. Diversification is a strategy that takes the organization away from both the existing markets and its existing products

CHAPTER THREERESEARCH METHODOLOGY

3.1 Introduction

This section brings out the research design that was adopted for this study, the reason for its choice, its requirements and how they have been met. The section also outlines the sources of data and the data analysis methods used.

3.2 Research design

This is a case study. According to Kothari (2004), a case study is a form of qualitative analysis that involves a careful and complete observation of a social unit, be that a unit person, family or institution, a cultural group or even the entire community. Ghauri and Gronhaug (2005) see this design as consisting of observing a single group or event at a single point in time, usually after some phenomenon that may have produced results.

Zikmud (2003), see the purpose of a case study method as being to obtain information from one or a few situations that are similar to the researcher's situation. Cooper & Schindler (2006) argues that case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interactions. This emphasis of detail provides valuable insight for problem solving, evaluation and strategy. The detail is secured from multiple sources of information. It allows evidence to be verified and avoids missing data.

A case study design was used because these researches focused on one unit, ICDC. ICDC is a leading development financial institution, which has implemented several strategic plans over the last 15 years. This can be used to understand the situation of other development finance institutions in Kenya.

3.3 Data Collection

The main data for this study was secondary data which was to determine how ICDC has responded to the external environmental changes. In- depth interviews were carried out. An interview guide (appendix I) with the explanatory questions was used to collect the relevant primary data for the study. A letter of introduction, (appendix II) and the interview guide was issued to the respondents before the interview.

The major departments of ICDC are: Operations, Strategy and Risk, Special Projects, Information and Communication Technology, Legal, Finance, Human Resources and Administration, and Internal Audit.The interviewees were 6 heads of departments who have worked for ICDC for at least five years. The officers interviewed were expected to have an understanding of how ICDC has responded to external environmental changes affecting it over the five years and beyond.

3.4 Data analysis

The data was analysed using content analysis. According to Kothari (2004), content analysis consists of analysing the contents of documentary materials such as books, magazines, newspapers and the contents of all other verbal materials which can be spoken or printed.

The reason for using this method was that the data collected was qualitative in nature. The data collection method used does not restrict respondents on the answers and therefore has the potential of generating more information with much detail.

CHAPTER FOURFINDINGS AND DISCUSSIONS

4.1 Introduction

This section brings out in summary the data obtained from the field work. It summarises the data obtained through interviews with six of the ICDC managers who have been in the Corporation for more than five years.

4.2 External environmental changes

The objective was to determine the changes in the external environment that have had major impact on the operations of ICDC in the last 15 years. The changes were classified in to three categories namely; remote environment, industry environment and changes in the operating environment.

Respondents were asked to name changes in the remote environment namely the social, political, technological and ecological factors that have had a major impact on ICDC in the last 15 years. The respondents indicated that up to early 1980's; the Corporation had access to budgetary support from the Treasury to fund activities that were consistent with its core mandate. The Corporation also had access to cheaper lines of credit on the basis of Government guarantees. However, with economic crisis in the mid 80's, there was reduced funding from the Treasury to the DFI's, such as ICDC. In addition, the structural adjustment programmes (SAP's) implemented by government in the 1990's resulted in the discontinuation of Government guarantees to the DFI's. This meant the Corporation could not borrow from its traditional sources for its activities thus reducing the availability of credit.

The respondents also brought out market liberalization, high interest rates, high levels of inflation, and slowdown in the growth of gross domestic product, especially in the 1990's as another external environmental factor that affected ICDC. There were high incidences of interest rate increases as well as high levels of inflation which increased the cost of borrowing. This together with the slowdown in the economic growth reduced the clients ability to pay their loans on time due to poor business performance resulting in higher level of nonperforming loan portfolio. In addition, the liberalization of the Kenyan economy in the 1990's that brought in competition, including that of international players made Kenyan goods and services very uncompetitive in the local market. Local industries could not produce goods and services at a cost low enough, to compete with the cheaper imports that were flooding the local market. The resultant effect was the collapse of ‘weak’ local industries and a decline in the number of ‘start up’ businesses investments by ICDC. Several of ICDC’s investments began making losses with some being put on receiverships. This not only affected the income of the Corporation but also the balance sheet due to increased non-performing loans and investments.

The respondents also felt that there has been rapid and high level technological advancement in the last fifteen years. The period has seen the development of Expert systems for knowledge-based expert advice for end users and strategic information systems and strategic products and services for competitive advantage. It also came with the Internet advancement, which brought about the electronic business and commerce role of information technology in the 1990s to 2000s. The systems involved in this period are Internetworked E-Business and E-Commerce systems that concern internetworked enterprise and global e-business operations and electronic commerce on the Internet, intranets, extranets, and other networks. This demanded heavy capital investment that in turn affected the resources available for onward lending.

On the political changes, the respondents felt the passing of the state Corporation’s Act of 1986, that shifted the role of appointing the heads of state Corporations to central government, increased political interference in ICDC. It affected the appointment of the top leadership of the Corporation, which in turn affected the quality of leadership of ICDC. Frequent changes in top management, emanating from political interferences affected the continuity of the strategic planning and its implementation. At the social and political front, the respondents felt that there was a decline in ethical values and social cohesiveness resulting in increased levels of corruption especially in the government and tribal violence affecting people and their investments. Political interference combined with corruption resulted in pressure to lend in non-viable projects, which latter increased the levels of non-performing loans. Political Interference with some of the ICDC investments drove them in to loss-making leading to the collapse of some them.

The respondents felt that the World Bank imposed requirement for privatization forced ICDC to sell its investments at a time when there was no frame work for privatization. Many of these investments were sold below par value. In addition, the funds received from these investments were reinvested with political interference resulting in high level of non-performing loans. Tribal violence resulted in the displacement of people from their areas of habitation leading to collapse of some of the businesses financed by ICDC. This in turn affected the loaner's ability to pay the loans.

When asked to identify the changes in the industrial environment that have affected the Corporation, the respondents indicated that the last 15 years has been marked by rapid growth in the banking sector, as well as an increase in the number players participating in long-term lending. A number of foreign donors have established direct links with the market for example by establishing their own micro finance institutions. This has resulted in intense competition amongst the lenders, both in terms of borrowing and lending.

When asked about the changes in the operating environment, the respondents felt that the market liberalization brought in greater customer expectation, with more players competing to provide better services. The Corporation's visibility in the market has been eroded by other players who have been aggressive in the market. The Corporation is therefore not amongst the preferred lender in the market.

4.3 Response strategy and environmental change

When the respondents were asked to identify the responses that ICDC made to the changes in the environment, they identify several major responses. The first was restructuring it business process, aiming to cut down on costs. Three restructuring events were carried out in 1994, 2002 and 2005, reducing the labor force from an initial level of over 600 to current levels of below 60 employees. Several non-core business processes such as cleaning, tea services were outsourced. A new department was created to sorely deal with increased problem loans and investments. The Corporation also closed its branch network to respond to the low business due to intense competition from other players and increasing bad debt portfolio.

When asked how the Corporation responded to lack of funding or loan guarantees from the government, the respondents indicated that ICDC's reviewed its financing policy such that any financing or equity investments was to be strictly on commercial basis. This led to the Corporation's departure from its core mandate, to the funding of other activities purely for its survival and its sustainability. As a result there was too much focus on credit function. Without new equity investments ICDC tried to' holding on' to the mature equity investments. This was contrary to the expectation, that ICDC would retire mature equity investments while investing in new ones. The respondents further indicated that the Corporation over time diversified its portfolio to include products such as personal loans that are provided by the mainstream banks on which the Corporation had no competitive advantage.

When asked about the response made to the changing technological changes, the respondents felt that ICDC kept pace with technological changes, changing from the manual to the computerized systems.ICDC was amongst the first organization to invest in computerization, at one point utilizing it for competitive advantage to offer computer services to its investment companies as well as other companies that had not invested in their own computer facilities. Starting from the early investments in the mainframe computers the Corporation has also kept up to date with modern time's micro- computers. The Corporation invested in the loan system for the management of its loan and other investments. It has recently acquired and enterprise resource programme for the management of its processes. The respondents felt Corporation has invested in upgrading Information equipment such as computers, intranets and extranets networks.

4.4 Effectiveness of Response strategy

When asked whether the response strategies were effective, the respondent felt that the response to technological changes was effective to the extent that the migration from the manual to computerized systems has resulted in the ease of communication and availability of information. The Corporation was able increase value by using its advanced technology to provided computer services to other organizations. The formation of a special department to deal with problem loans and investments has yielded fruits with increased level of debt collection and reduction of bad debts.

When asked about the response to the termination of government of financing the respondents felt that the Corporation has not been able to identify sufficient sources of funds. The increased cost of borrowing was also not addressed. In addition the reduced manpower resulted in a great declined in the Corporation's research and development capacity. The Corporation was therefore not able to identify opportunities for new investments in the market, which would have resulted in new project investments. Respondents felt that identification of new viable projects would have made it easier to source for funding.

Although the Corporation's financing policy was changed to lend only to commercially viable projects, political interference especially in the 1990s appear to have been beyond the control of the Corporation. Equally the Corporation has not been able to ensure continuity of implementation of the strategic plans arising from constant changes in the top management, namely the executive director and the Board of Directors. The restructuring did not address the lack of continuity. The rapid privatization of ICDC investments meant that, ICDC found herself with large financial resources without clear investment plans. The resources therefore found their way in to projects that were not viable, thus increasing the non performing loan portfolio.

According to the respondents, after ICDC was restructured in 1993/94, ICDC's financing policy was changed and any financing, equity or loans was to be strictly on commercial basis. The resultant effect was a decline in investments in equity in favor of the less risky investment products. The result was too much focus on small often short term loans. As a result, no new equity investments were being created to ensure that the Corporation could have a balanced portfolio, there was a huge non-performing loan portfolio, as no proper risk management strategies were put in place, to manage risks associated with this type of lending, yet the scale of delivery was too small, to make any significant impact on ICDC's industrialization and commercial developmental role.

According to the respondents, the closure of the branch network did not help matters as it only reduced the Corporation's presence in the market and its capacity to reach out to clients. The traditional products of ICDC were geared towards addressing the unmet demands for equity funding and long term financing. However, with the entry of new players in the same segments, the Corporation did not respond effectively to the competition by being more creative and innovative in its product development. The Corporation instead resorted to diversification of its products range, away from its core mandate. In addition the Corporation did not respond to changing customer expectation, by being actively engaged in the market to create awareness on its products.

When asked about the restructuring programs, the respondents felt that the restructuring programs, focused too much on cost reductions and not growth of the business. Through the various retrenchment programs, the Corporation has reduced its workforce from a high of 600 employees to the current 65, which has eroded the Corporation’s capacity to effectively deliver on its mandate. Corporation has not in the past invested in research, business development and marketing campaign initiatives.

When asked on what the ICDC could have done to make the response strategies more effective, the respondent felt that strengthening of the research and development activities would have allowed the Corporation to develop innovative products that are in line with the market requirements as well as the mandate of ICDC to increase the capacity to Identify and take up new projects. The respondents also felt that there should have been more engagement with the government, in order to align ICDC strategies with the governments, overall strategy.

Proper risk Management strategies should have put in place, to manage risks associated with small loans lending. This would have reduced the level of non-performing loan portfolio. Under the mandate of the 1993/1994 restructuring, the Corporation was expected to pursue an early liquidation of its mature investments, so as to provide resources for re-investment. This did not happen and with time, ICDCbecome fundamentally a ‘holding company’ with an investment portfolio of enterprises that were initiated many years ago, with no new equity investments. Early liquidation of investments should have been pursued, while ensuring the existing of an elaborate deal – pipeline, to absorb the funds that come in.

The respondents further felt that the Corporation should have developed proactive and timely strategy on how to deal with sale of existing mature investments tore-investment in new projects, rather than attempting to hold on to the mature investments. This would have ensured that the Corporations presence would have continued to be felt and progress made towards the achievement of its mandate. The Corporation should also have marketed its products aggressively, in order to attract clients and grow the customer base.

4.5 Discussion of findings

The first objective was to determine the changes in the external environment that the Industrial and Commercial development Corporation considers to affect them most. Under the remote environment, one major factor that greatly affected ICDC was the structural adjustments programmes implemented by the government in the 1990's, which reduced Idec's access to credit on the basis of Government guarantees and direct funding from the Treasury. Liberalization and globalization in the 1990's made Kenyan goods and services very uncompetitive in the local market. Several of ICDC's investments began making losses with some being put on receiverships. Rapid technological advancement in the last fifteen years has demanded heavy capital investment that would in turn affect the resources available for onward lending.

Regular changes in the top leadership of the Corporation, affected the quality of leadership of ICDC. Political Interference with some of the ICDC investments drove them in to loss making leading to the collapse of some them. Tribal violence resulted in the displacement of people from their areas of habitation leading to collapse of some of the businesses financed by ICDC.

This agrees with Pearce et al (2008), who argued that each firm must consider the economic trends in the segments that affect its industry. They further argued that both at the national and international level, managers must consider the general availability of credit, the level of disposable income and the propensity of people to spend. They should also monitor prime interest rates, inflation rates and trends in the growth of the gross domestic product. Informed estimates of the impact of alterations such as geographical shifts in populations and changing work values, ethical standards and religious orientations can help a strategizing firm in its attempts to prosper. Political factors may either limit or benefit the firms they influence. Firms must strive for an understanding both of the existing technological advances and the probable future advances that can affect their products and services through technological forecasting.

Within the industrial environment, ICDC was affected most by the entry of other players in the provision of long term lending .Large donors have also established direct links with the market. This has resulted in intense competition amongst the lenders, both in terms of sourcing for funding for onward lending as well as in the lending to the investors. This is consistent with Michael Porter’s five forces framework method for analysis of the industry structure as quoted in Johnson, Scholes, & Whittington (2008). Porter argued that where the five forces are high, then industries are not attractive to compete in. There will be too much competition and too much pressure to allow reasonable profits.

Within the operating environment, market liberalization brought in greater customer expectation, with more players competing to provide better services. The Corporation’s visibility in the market has been eroded, by other players who have been aggressive in the market. The Corporation is therefore not amongst the preferred lender in the market. This is consistent with Pearce et al, 2008 who argued that, among the most important of factors in the operating environment are the firm’s competitive position, the composition of its customers, its reputation amongst suppliers and creditors, and its ability to attract capable employees.

The second objective was to establish the strategies adopted by the Industrial and Commercial Development Corporation to address the external environmental changes.The Corporation responded by restructuring its business processes, aiming to cut down on costs. To respond to lack of funding or loan guarantees from the government, ICDC’s financing policy was changed so that any financing or equity investments were to be strictly on commercial basis. ICDC kept pace with technological changes, changing from the manual to the computerized systems.

The last objective was to determine the effectiveness of the response strategies adopted by the Industrial and Commercial Development Corporation.The response to technological changes was effective to the extent that the migration from the manual to computerized systems has resulted in the ease of communication and availability of information. The Corporation was able increase value by using its advanced technology to provided computer services to other organizations. The formation of a special department to deal with problem loans and investments has yielded fruits with increased level of debt collection. This is in line with Ohmae as quoted in Capon (2008), who argued that strategy is about trying to influence where possible, the external environment in which the company operates; differentiating to add unique value to products and services; and thoroughly understanding the market place, its segmentation and the customers.

However, the Corporation has not been able to identify a sufficient source of funds, to cater for the reduced funding and lack of loan guarantees from the government. The increased cost of borrowing was also not addressed. In addition the reduced manpower resulted in a great declined in the Corporation's research and development capacity. The Corporation was therefore not able to identify gaps in the market, and to develop new projects.

The Corporation has not been able to ensure continuity of implementation of the strategic plans arising from constant changes in the top management, namely the executive director and the Board of Directors. The restructuring did not address the lack of continuity, neither was it able to align its processes to the business objectives. This is in line with Pearce et al, (2008) who saw the remote environment as comprising of factors that originate beyond, and usually irrespective of any single firm's operating situation. It consists of the economic, social, political, technological, and ecological factors. This environment presents firms with opportunities, threats, and constraints, but rarely does a single firm exert any meaningful reciprocal influence.

The change of the financing policy, to ensure that any financing, equity or loans was to be strictly on commercial basis resulted in a decline in equity investments in favor of the less risky investment products. The result was too much focus on small, often short term loans. As a result, no new equity investments were being created to ensure that the Corporation could have a balanced portfolio, there was a huge non-performing loan portfolio, as no proper risk management strategies were put in place, to manage risks associated with this type of lending, yet the scale of delivery was too small, to make any significant impact on ICDC's industrialization and commercial developmental role.

The closure of the branch network reduced the Corporation's presence in the market and capacity to reach out to clients. The traditional products of ICDC were geared towards addressing the unmet demands for equity funding and long term financing. However, with the entry of new players in the same segments, the Corporation did not respond effectively to the competition by being more creative and innovative in its product development. The Corporation instead resorted to diversification of its products range, away from its core mandate. In addition the Corporation did not respond to changing customer expectation, by being actively engaged in the market to create awareness on its products. With time ICDC became a little known player in the market.

The restructuring programs, focused too much on cost reductions and not growth of the business. Through the various retrenchment programs, the Corporation has reduced its workforce from a high of 600 employees to the current 65, which has eroded the Corporation's capacity to effectively deliver on its mandate. Corporation has not in the past invested in research, business development and marketing campaign initiatives.

Several actions would have made the strategies more effective. Strengthening of the research and development activities would have allowed the Corporation to develop innovative products that are in line with the market requirements as well as the mandate of ICDC. There should have been more engagement with the government, in order to align ICDC strategies with the governments, overall strategy. Proper risk Management strategies should have put in place, to manage risks associated with small loans lending. This would have reduced the level of non-performing loan portfolio. Early liquidation of the mature investments should have been pursued, so as to provide resources for re-investment, while ensuring the existing of an elaborate deal –pipeline, to absorb the funds that come in. The Corporation should also have marketed its products aggressively, in order to attract clients and grow the customer base. This is consistent with Pearce et al, 2008 who argued that firms can be more proactive (as opposed to reactive) in dealing with the operating environment.

CHAPTER FIVESUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter brings out a summary of the findings, conclusions and limitations of this research including suggestions on areas of further research and recommendations for policy and practice. This research paper covered four other chapters namely; Introduction of the research, Literature Review, Research Methodology and Findings and Discussions.

5.2 Summary of the findings

This study had three objectives. The first objective was to determine the changes in the external environment which the Industrial and Commercial Development Corporation considers to affect them most. The research found that under the remote environment several factors affected ICDC.The structural adjustment programmes implemented by the government in the 1990's reduced ICDC's access to credit. High levels of inflation, market liberalization, including that of the interest rates and slowdown in the growth of gross domestic product affected the cost of borrowing and the business profitability and as a result, the clients ability to pay their loans on time resulting in higher level of nonperforming loan portfolio. Liberalization and globalization in the 1990's made Kenyan goods and services very uncompetitive in the local and international market, resulting in the collapse of 'weak' local industries and a decline in the number of 'start up and expansion' financing facilities. Several of ICDC's investments began making losses with some being put on receiverships.

At the social and political front, the study found that the passing of the State Corporation's Act of 1986, that shifted the role of appointing the heads of State Corporations to central government, increased political interference in ICDC. Frequent changes in top management, emanating from political interferences affected the continuity of the strategic planning and its implementation. Decline in ethical values and social cohesiveness, resulted in increased levels of corruption especially in the government and tribal violence affecting people and their investments. Political interference combined with corruption resulted in pressure to lend in non-viable projects, which latter increased the levels of non-performing loans. Political Interference with some of the ICDC investments drove them in to loss making leading to the collapse of some them. The world Bank imposed requirement for privatization forced ICDC to sell its investments at a time when there was no frame work for privatization. Many of these investments were sold below par value.

Within the industrial environment, the research found that ICDC was affected by the entry of other players in the provision of long term lending. Large donors have also established direct links with the market. This has resulted in intense competition amongst the lenders, both in terms of sourcing for funding for onward lending as well as in the actual lending.

Within the operating environment, market liberalization brought in greater customer expectation, with more players competing to provide better services. The Corporation's visibility in the market has been eroded, by other players who have been aggressive in the market. The Corporation is therefore not amongst the preferred lender in the market.

The second objective was to establish the strategies adopted by the Industrial and Commercial Development Corporation to address the external environmental changes. The study found that the Corporation quickly adopted information technology in its processes with the migration from the manual to computerized systems that resulted in the ease of communication and availability of information. There was rapid privatization of ICDC investments to comply with the World Bank requirements as well as raise funds for new investments. This was in response to the stoppage of the government guarantees as well as financing. In 1993/94, ICDC's financing policy was changed and any financing, equity or loans was to be strictly on commercial basis. The Corporation undertook three restructuring programs. There was a closure of the branch network to further cut cost on the largely inactive branch network. A special department to deal with problem loans and investments was formed.

The last objective was to determine the effectiveness of the response strategies adopted by the Industrial and Commercial Development Corporation. The research found that the response to technological changes was effective to the extent that the migration from the manual to computerized systems has resulted in the ease of communication and availability of information. The formation of a special department to deal with problem loans has yielded fruits with increased level of debt collection and reduction of bad debts.

The Corporation has not been able to ensure continuity of implementation of the strategic plans arising from constant changes in the top management, namely the Executive Director and the Board of Directors. The restructuring did not address the lack of continuity, neither was it able to align its processes to the business objectives.

The change of the financing policy, to ensure that any financing, equity or loans was to be strictly on commercial basis resulted in a decline in equity investments in favor of the less risky investment products. The result was too much focus on small often short term loans. As a result, no new equity investments were being created to ensure that the Corporation could have a balanced portfolio, there was a huge non-performing loan portfolio, as no proper risk management strategies were put in place, to manage risks associated with this type of lending, yet the scale of delivery was too small, to make any significant impact on ICDC's industrialization and commercial developmental role.

The closure of the branch network reduced the Corporation's presence in the market and reduction of it capacity to reach out to clients. The traditional products of ICDC were geared towards addressing the unmet demands for equity funding and long term financing. However, with the entry of new players in the same segments, the Corporation did not respond effectively to the competition by being more creative and innovative in its product development. The Corporation instead resorted to diversification of its products range, away from its core mandate. In addition the Corporation did not respond to changing customer expectation, by being actively engaged in the market to create awareness on its products.

The restructuring programs, focused too much on cost reductions and not growth of the business. Through the various retrenchment programs, the Corporation has reduced its workforce from a high of 600 employees to the current 65, which has eroded the Corporation's capacity to effectively deliver on its mandate. In addition the reduced manpower resulted in a great declined in the Corporation's research and development capacity as there was no reinvestment in the area. The Corporation was therefore not able to identify gaps in the market, and to develop new projects

Several actions would have made the strategies more effective. Strengthening of the research and development activities would have allowed the Corporation to develop innovative products that are in line with the market requirements as well as the mandate of ICDC. There should have been more engagement with the government, in order to align ICDC strategies with the governments, overall strategy. Proper risk Management strategies should have been put in place, to manage risks associated with small loans lending. This would have reduced the level of non-performing loan portfolio. Early liquidation of the mature investments should have been pursued, so as to provide resources for re-investment, while ensuring the existence of an elaborate deal –pipeline, to absorb the funds that come in. The Corporation should also have invested in research, business development and marketing campaign initiatives.

5.3 Conclusions

The researcher concluded thatthere were several major changes in the external environment which the Industrial and Commercial Development Corporation considers to affect them most. These changes were: the structural adjustments programmes implemented by the government; high levels of inflation; market liberalization and slowdown in the growth of gross domestic product; rapid technological advancement in the passing of the state Corporation's Act of 1986which shifted the role of appointing the heads of state Corporations to central government; the world Bank imposed requirement for privatization, tribal violence that resulted in the displacement of people from their areas of habitation and the entry of other players in the provision of long term lending. Market liberalization brought in greater customer expectation, with more competitors competing to provide better services.

The study found that the strategies adopted by the Industrial and Commercial Development Corporation to address the external environmental changes were: a quick adoption of information technology in its processes; restructuring of its operations forming a special department to deal with problem loans; rapid privatization of ICDC investments to comply with the World Bank requirements as well as raise funds for new investments and change of ICDC's financing policy so that any financing, equity or loans was to be strictly on commercial basis.

The research concluded that although some of the response strategies adopted by the Industrial and Commercial Development Corporation were effective, there were areas which in the strategies would have been made more effective.The response to technological changes was effective to the extent that the migration from the manual to computerized systems resulted in the ease of communication and availability of information. The formation of a special department to deal with problem loans and investments yielded fruits with increased level of debt collection and reduction of bad debts.

The study concluded that several actions would have made the strategies more effective. Strengthening of the research and development activities would have allowed the Corporation to develop innovative products that are in line with the market requirements as well as the mandate of ICDC. There should have been more engagement with the government, in order to align ICDC strategies with the governments' overall strategy. Proper risk Management strategies should have been put in place, to manage risks associated with small loans lending. This would have reduced the level of non-performing loan portfolio. Early liquidation of the mature investments should have been pursued so as to provide resources for re-investment, while at the same time ensuring the existence of an elaborate deal –pipeline, to absorb the funds that come in. The Corporation should also have marketed its products aggressively, in order to attract clients and grow the customer base.

5.4 Limitations of the research

This study was carried out by interviewing six members of management in the Industrial and Commercial Development Corporation. The questions posed, required the respondents to have a deep recollections of events in the Corporation. The in depth recollection by the respondents may not necessary have present. This may limit the accuracy of the information provided.

The targeted respondents were members of the management team. Some of them were not involved in previous strategic planning events. Their responses were therefore shallow. This was compounded by the fact that most managers had a busy schedule which may have limited their willingness to give in depth responses.

5.5 Suggestions for further research

This study focused on the response strategies of the Industrial and Commercial Development Corporation to the changes in the external environment and the effectiveness of the responses. Sometimes, the effectiveness of such responses may be affected by the changes in the internal environment. There should be further research in identifying effects of internal environmental changes, on the responses made by Development Finance Institutions to the changes in the external environment. The research should recommend on how to deal with the internal environment changes, in order to make the strategic responses more effective.

Further research should also be carried out on how the responses strategies adopted by Development Finance Institutions in identifying changes in the external environment that affect them and the relevant responses, compare with those of other players in the same industry. This will help to identify any gaps that Development Finance Institutions can fill to improve on the effectiveness of their own response strategies.

5.6 Recommendations for policy and practice

Lack of continuity in strategic planning and implementation affects its success. There should always be a feedback loop to identify the gaps in a strategic plan. This feedback will form the foundation for a review of the strategic plan or the next period of strategic planning.

The Industrial and Commercial Development Corporation, and by extension the other Development Finance Institutions in Kenya, should strengthen its research and development function capability. This will aid in the development of products that can address the market needs, and to bridge financing gaps. This will ensure their continued relevance in the changing market environment.

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APPENDICES

Appendix I: Interview guide

Response strategies of Industrial and Commercial Development Corporation (ICDC) to changes in the external environment in Kenya

Please fill in all parts as sincerely as possible by ticking on one of the options given, where applicable. For those that require your opinion, please use the blank spaces provided

SECTION A: GENERAL INFORMATION

1. Name of department……………………………………………………….

2. Period worked in ICDC………………………………………………

3. Number of strategic plans made by the Corporation in the last 15 years………………………

SECTION B: EXTERNAL ENVIRONMENT CHANGES

4. What are changes in the external environment in Kenya that have had major impact on the operations of ICDC in the last 15 years?

   a) Changes in the remote environment **(**social, political, technological**,** ecological)………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

   b) Changes in the Industry environment (the threat of entry to the industry that ICDC operates in; the threat of substitutes to the industry's products or services; the power of buyers of the industries products or services; the power of suppliers in the industry; and the extent of rivalry between competitors in the the industry)……………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

   c) Changes in the operating environment (Corporation's competitive position, the composition of its customers, its reputation amongst suppliers and creditors, and its ability to attract capableemployees)…………………………………………………………
   …………………………………………………………………………………

5. What impact have these changes had on the operations of ICDC?
....
....
.

SECTION C: STRATEGIC RESPONSES

6. What responses did ICDC make to the changes in the external environment?

……………………………………………………………………………………………
……………………………………………………………………………………………

7. Were the responses to the changes in the external environment adequate? Yes or No

    a) If Yes, what makes you feel that they were adequate?...
    ....

    b) If No, which other responses strategies could ICDC have made?

……………………………………………………………………………………………
……………………………………………………………………………………………

8. Were the response strategies to the external environment adopted by ICDC effective? Yes or No.

    a) If yes, which responses lead to fruitful results and what were these results?

……………………………………………………………………………………………
……………………………………………………………………………………………

    b) If No, which responses were not effective? Why do you think they were not effective?

……………………………………………………………………………………………
……………………………………………………………………………………………

9. What could have been done to make the response strategies more effective?

……………………………………………………………………………………………
……………………………………………………………………………………………

Thank you.