INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF NAIVAS LIMITED

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DECLARATION

This research project is my original work and has not been presented for examination in any other university.

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DEDICATION

This project is dedicated to my Grandmother who has never failed to give me financial and moral support, for meeting all my needs and for teaching me that even the largest task can be accomplished if it is done one step at a time. I also dedicate this project to my family and my fiancé for their patience, understanding, support and love. This project is also dedicated to my late mum, who taught me that the best kind of knowledge to have is that which is learned for its own sake.

ABSTRACT

Today management is needed in all types of organizations regardless of their size, at all organizations levels and in all work areas. Because management is universally needed, improving the way an organization is managed is one of the keys to success, and the importance of strategic management to achieve this goal is recognized around the world.

The focus of this study was directed on how the top management can selectively use strategic management practices to influence organizational performance in an environment which is conducive to all. Strategic management is one of the best practices that can promote performance in an organization if strategic leadership, ethics and strategy, strategic communication, strategic change, strategic organization culture, strategic systems analysis, managing strategic failure, globalization and environment, strategic skills and knowledge, strategic diversification and strategic information systems analysis are keenly utilized efficiently and effectively.

The insight of this study is that in contemporary business environment there is variation in performance among firms. This variation has been evidenced between organizations. This is further manifested through collapse and insolvency of many organizations in Kenya. The research aim at identifying which is one of the best practices that can make this organizations to compete soundly, hence succeed and survive.

The purpose of this study was to determine the relationship between strategic management practices and organizational performance in private sectors organizations in

Kenya, a case of Naivas Limited. The research focused on this because performance of all organizations within an economic system is critical for economic growth and development. It is the source of employment, thus good standards of living. Data include all facts and figures collected first hand and documented materials; from textbooks, interviews, published reports and the internet.

Strategic management practices can be used in bridging the performance gap experienced by a firm. Organizations apply strategic management practices in their operations which has a lot of influence on market conditions, employee knowledge and diversification of production line. Their success rests upon effective strategic management practices.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategic management is a comprehensive area that covers almost all the functional areas of the organization. It is an umbrella concept of management that comprises all such functional areas as marketing, finance and accounts, human resource, and production and operation into a top level management discipline. Therefore, strategic management has an influence in the organizational success or failure than any specific functional areas. Strategic management is different than the routine and operation management, it deals with organizational level and top level issues whereas functional or operational level management deals with the specific areas of the business.

For at least the past decade managers have been preoccupied with improving operational effectiveness by using different management techniques such as (Porter, 1998): Total quality management, Business process reengineering, Customer relationship management, benchmarking that seek to improve operational effectiveness or only certain aspects of companies' performances such as quality, speed, productivity and so on. Strategic management is about choosing the right place for defining a unique position, making clear trade-offs, a tighter fit, it involves a comprehensive approach to managing all important aspects of the company's internal environment and it therefore significantly differs from other management techniques.

The focus of this study was directed on how the top management can selectively use strategic management practices to influence organization's performance in an environment. Strategic management is one of the best practices that can promote performance in an organization if strategic leadership, ethics and strategy, strategic communication, strategic change, strategic organization culture, strategic systems analysis, managing strategic failure, globalization and environment, strategic skills and knowledge, strategic diversification and strategic information systems analysis are keenly utilized efficiently and effectively. The concept of strategic management is either new or old in many organizations within Kenya especially, the informal sector, for the formal sector, it is value adding.

1.1.1 Key characteristics of Strategic Management

Strategic management means the planning of activities that are vital for the orientation and functioning of the entire company (Kast, 1985). Management as the decision-maker plays the main role in analyzing and envisaging events in the external environment, and adjusting the company to external impacts. The environment's various influences require a different strategic response. The most successful are those companies whose management is able to generate strategies that prepare the structure, processes, systems and culture for the envisaged changes in the environment.

Mintzberg (1998) divided strategic management into ten distinct models or 'schools' which have been emerging over time. The differences between them lie in the strategy formation process and management's role in the process. The first three models drive from prescriptive schools and are concerned with how strategies should be formulated. The next six models reflect descriptive schools which consider specific aspects of the strategy formation process and have less to do with prescribing ideal strategy behavior than with describing how strategies are made. The last model arises from configuration schools and combines the first nine.

To fulfill the owner's expectations the company should satisfy the needs of target customers more successfully than its competitors, identify what form of competitive strategies should be developed and maintain the necessary competitive advantages. These are the results of management's decisions, accumulated resources and the ways they are engaged, strategic factors in the branch and limitations of the resources market (Oliver, 1997).

1.1.2 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment), product market performance (sales, market share,) and shareholder return (total shareholder return, economic value added.). Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development.

In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as; financial performance (e.g. shareholder return) - customer service - social responsibility (e.g. corporate citizenship, community outreach)-employee stewardship.

Performance measurement is the use of statistical evidence to determine progress toward specific defined organizational objectives. There are many types of measurements. In school, exams are graded to establish the academic abilities; in sports, time is clocked in split seconds to verify the athletic abilities. Similarly in teams and organizations, there are various tools and measurements to determine how well it performs. Gamble, Strickland and Thompson (2007, p. 99) provide a comprehensive method for measuring performance of organizations. How well each company performs is dependent on the strategic plan. Some of the measurements include basic financial ratios such as debt-to-equity ratio and if the levels are an issue with creditworthiness.

The daunting task of measuring performance for organizations across industries and eras, declaring the top performers, and finding the common drivers of their success did not occur to anyone until around 1982; when Tom Peters and Bob Waterman got down to work researching and writing In Search of Excellence. This publishing sensation challenged industrial managers' actions and attitudes, and inspired researchers and scholars to further pursue the theory of high performance – the holy grail of any competitive business organization. This task becomes more complex as corporations diversify into multiple industries. A researcher must take this into consideration when conducting a comparative analysis of companies.

1.1.3 Kenyan Retail Industry

Kenyan retail industry has undergone a major shake-up as new players take a sizeable chunk of the shopping basket. Earlier dominated by Nakumatt and Uchumi supermarkets, it has experienced radical changes in customer and brand loyalty over the past five years due to stiff competition. The retail industry is getting crowded, so much that the big players are becoming uncomfortable. Nakumatt, Uchumi, Naivas, Ukwala and Tuskys; the country's biggest supermarkets in terms of branch network and shopping traffic, have in the past few years expanded generously in a tight race for shoppers that has wound up in areas initially dominated by traditional channels like shops, kiosks and small supermarkets in small towns (Daily Nation, 2010).

In Nairobi, the wars for market share have taken mainstream supermarkets from the usual commercial areas to residential places, where they are squaring off with newer and smaller entrants like Chandarana, Stagematt, Eastmatt and Satellite Supermarkets among others. With Kenya being the more affluent market in East Africa, its retail sector is more developed, but nearly hitting the slow lane and the big players are looking beyond borders – exporting their wars to neighbouring countries. Aside from competitive pricing, comprehensive product range backed by unconventional conveniences, such as pharmacies, bookstores, ATMs and delicatessens, fresh produce, bakeries and even in-store restaurants have become a competitive edge. Consumers are shifting to retail outlets that reflect their economic class, (Daily Nation, 2010).

1.1.4 Naivas Limited

Naivas Ltd was registered as a private limited company on 24th July 1998. Before then, it traded under Rongai Self Service Stores Ltd serving mainly in Rongai in Nakuru district. It later opened a branch in Elburgon before spreading its wings to Naivasha town. Since 1998, it was trading as Naivasha Self Service Stores Ltd before re-branding to the current Naivas Ltd in 2007. Over the years the company has established itself as a chain of supermarket with branches in major towns in the country, offering quality goods at the most reasonable market prices while service to the customers has been at the forefront. Naivas Ltd professional business practices coupled with the customer need oriented approach has made its stores a one-stop-shop for everyone who walks through its doors. Not only do they stock everything that the customers might need but also go the extra mile to ensure that only the best quality goods are found in the stores (Naivas Ltd, 2011)

Naivas Ltd can confidently declare itself as the supermarket of choice in the country as it continues to get customers trickling in large numbers to its stores with every new dawn. The market research has pointed out that Naivas friendly customer services; innovative product catalogue as well as pocket friendly prices remain the main attractions that have seen Naivas customer base grow exponentially (Naivas Ltd, 2011). It is among the leading organizations in the retail industry, offering goods and services. Others include Nakumatt, Tuskys, Uchumi and Ukwala Supermarkets; they also have the longest experience and widest contact with the customers, among others in Kenya. Therefore, Naivas Ltd could/can provide a focal point for the study of strategic management practices and employee relationship, which is a unique and new scientific field in managing organization resources, allocations and provision of appropriate linkage with external environment. Several scholars over the years have carried research projects on strategic management practices in different organizations, but no one has ever researched on Naivas Limited making it a unique case of my study.

1.2 Research Problem

In today's fast changing environment management does not always need to programme its strategies formally. Sometimes it must leave its strategies flexible, such as broad visions, to adapt to changing conditions (Mintzberg 1994). In such a volatile and competitive environment, strategy is no longer a matter of positioning a fixed set of activities along a value chain. Successful companies do not just add value, they reinvent it. This includes the forming of new roles and relationships among suppliers, customers, business partners and allies to co-produce innovative value for the buyer with key competencies (Norman, 1996).

Naivas Limited which is a new comer in the market enjoys a large market share through diversification, skills and knowledge, technological advancement hence large profit margin. There have been several research projects providing valuable insights on strategic management; Ligare (2010) researched on strategic management practices by the state corporations in Kenya; Maina (2009) researched on strategic management practices at Pan Arica Life Assurance Limited; Kariuki (2008) researched on strategic management practices adopted by Karen Hospital Nairobi; Wahome (2003) researched on strategic management practices in flower firms in Kenya. While all these studies on strategic management in other firms have been carried forth none has been done on the influence of strategic management on performance of Naivas Limited.

Organizations have the potential to perform even better if the best practices were put in place in all cadres of operations, especially strategic management. Organizations in Kenya have exhibited records of poor performance that threaten investment. This is reflected in output, employee attitude and customer dissatisfaction. The purpose of this study is to determine the relationship between strategic management practices and organizational performance Kenya. The research focuses on this because performance of all organizations within an economic system is critical for economic growth and development.

This study wanted to answer the following research questions which are critical if an organization wants to improve its performance in competitive environment.

1. To what extent do organizations apply strategic management practices in their operations and what influence their choice?
2. What is the effect of strategic management practices on organizational performance?

1.3 Research Objectives

The objectives of this study were as follows;

1. To determine strategic management practices by Naivas Limited.
2. To establish how strategic management practices influence its performance.

1.4 Value of the study

In order to respond to challenges stemming from the environment and to improve business outcomes, management can use either conscious, controlled, formal processes in the form prescribed by various methods such as 'management technique' as presented in this project, or informal ways based on a manager's experiences, intuition, vision, emotions. Informal ways are congruent with strategy-as-practice (Chia 2004) and they are faster, more flexible and convenient for managing in a less comprehensive and complex internal company environment. Research by the American consultancy house Bain & Company (Rigby 2005), involving 7, 283 companies from various branches around the world, showed that in the 1993-2005 period management used at least 65 different techniques for implementing their company policies, while in 2004 the companies concerned simultaneously each used an average of 13.4 different techniques. According to Grint (1997), in the last forty years at least one new technique has appeared every year.

In Kenya, most public organizations have shown dismal performance with some on the verge of collapse. This trend often reverses when strategic management is practiced with some turning into very productive organizations. This study would therefore generate information that would be useful for the managers of these institutions and generate a leaf of knowledge from private sector that would be of consequence to public organizations. This study would make a significant contribution to organizations and in particular where employees perform dismally and they desire improvement in performance and productivity coupled with continuous expansions and increased employment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will introduce us to the world of strategic management. Strategic management is a process which determines whether an organization excels, survives, or dies. All organizations engage in the strategic management process either formally or informally. Strategic management is equally applicable to public, private, not-for-profit, and religious organizations. An attempt is made in this project to show the applicability of strategic management to all types of organizations, but the emphasis is on private-enterprise organizations.

2.2 Definition of Strategic Management

Strategic management can be defined in various ways. According to Wheelen and Hungers' study (2006); strategic management is a set of managerial decisions and actions that determines the long-term performance of a corporation. It involves environmental scanning (both external and internal), strategy formulation (strategic or long range planning), strategy implementation, and evaluation and control. They emphasize the analyzing and evaluating of external opportunities and threats in terms of an organization's strengths and weaknesses. (Wheelen & Hunger, 2006) From the perspectives of Dess and Miller (1993), strategic management is a process that combines three major interrelated activities: strategic analysis, strategy formulation and strategy implementation.

Lamb (1984) states that strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment (Lamb, 1984).

Strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firm in the external environments. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. Recent studies and leading management theorists have advocated that strategy needs to start with stakeholders expectations and use a modified balanced scorecard which includes all stakeholders.

It is a level of managerial activity under setting goals and over Tactics. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency." Strategic management includes not only the management team but can also include the Board of Directors and other stakeholders of the organization. It depends on the organizational structure.

Three factors distinguish strategic decisions from other business considerations; firstly, Strategic decisions deal with concerns that are central to the livelihood and survival of the entire organization and usually involve a large portion of the organization's resources. Secondly, Strategic decisions represent new activities or areas of concern and typically address issues that are unusual for the organization rather than issues that lend themselves to routine decision making. Lastly, Strategic decisions have repercussions for the way other, lower-level decisions in the organization are made.

Translating into a simple word, it can be understood as a process of strategy formulation, implementation and evaluation according to the figure 1. It is a way to gain competitive advantages for an organization. Regardless of the size, the scale, every organization needs to adopt a well-planned strategic management to survive and compete in the market and try to optimize for tomorrow following the trend of today.

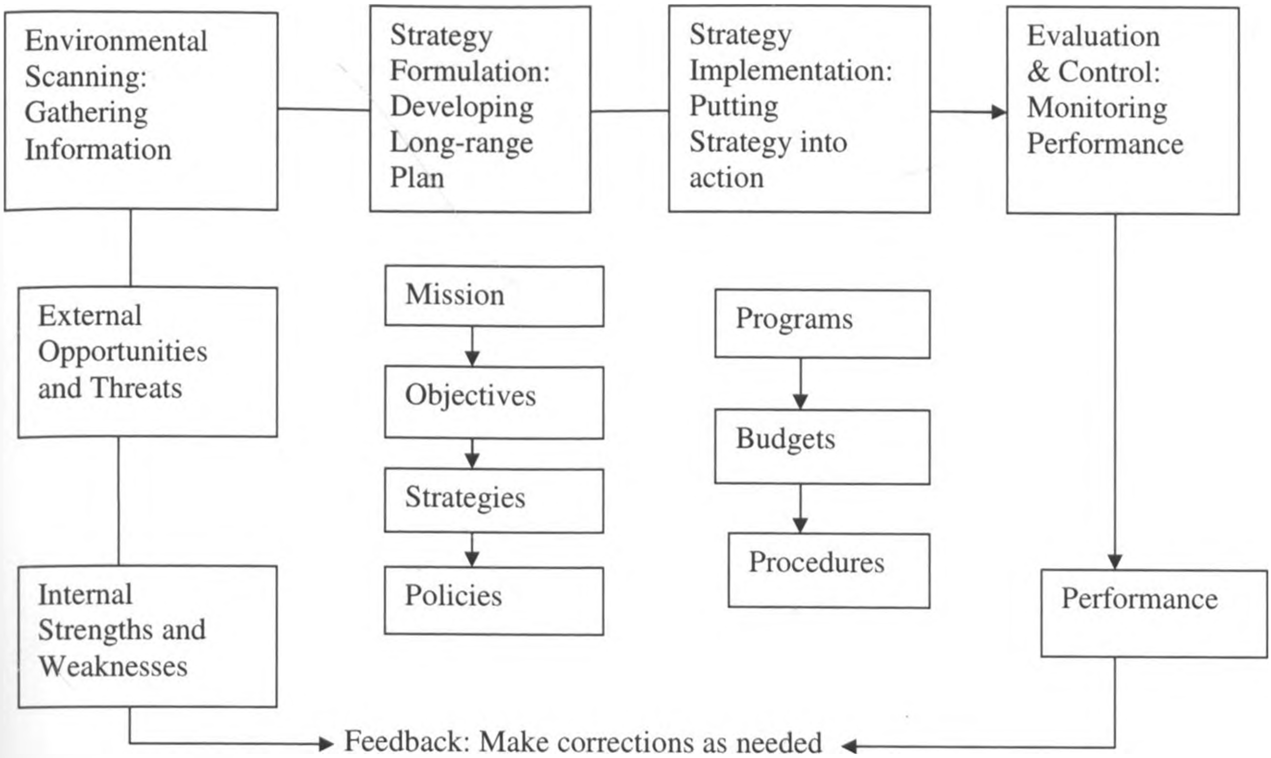


Figure 1; Strategic Management Model (Wheelen & Hunger, 2006)

2.3 Strategic Management Process

After having an overview of strategic management, we should figure out the process of formulating the strategy. Wheelen & Hunger (2006) point out strategic management consists of four basic elements. They are environmental scanning, strategy formulation, strategy implementation and evaluation (Wheelen & Hunger, 2006). The figure below illustrates how these four elements interact (Wheelen & Hunger, 2006). First of all, you need to analyze the current situation and find out your company's position in the market. Then you can decide what kind of strategy is best for your company. Next you put the strategies into action and see how it works. If it does not work, you have to evaluate again and change another one. These elements are steps that are performed, in order, when developing a new strategic management plan. Existing businesses that have already developed a strategic management plan will revisit these steps as the need arises, in order to make necessary changes and improvements.

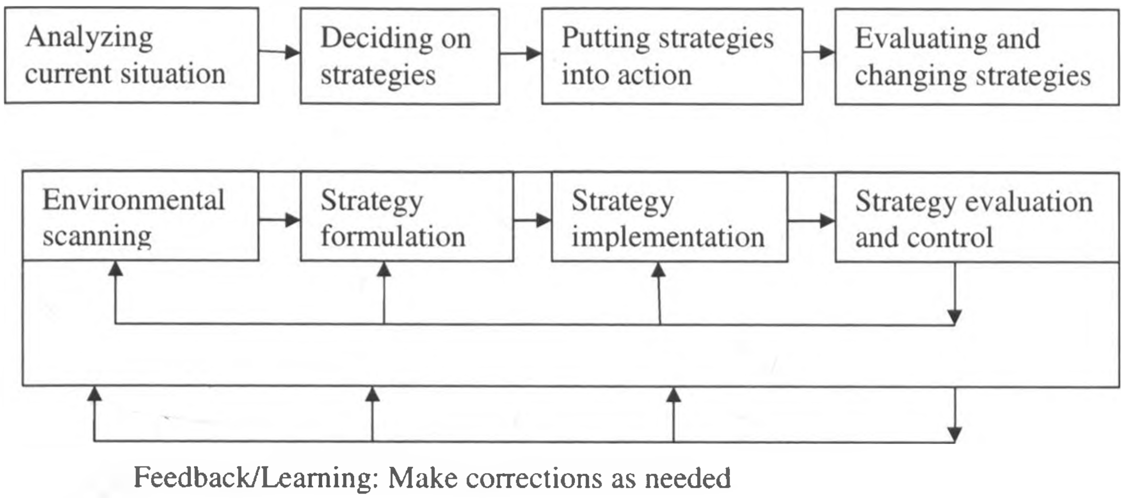
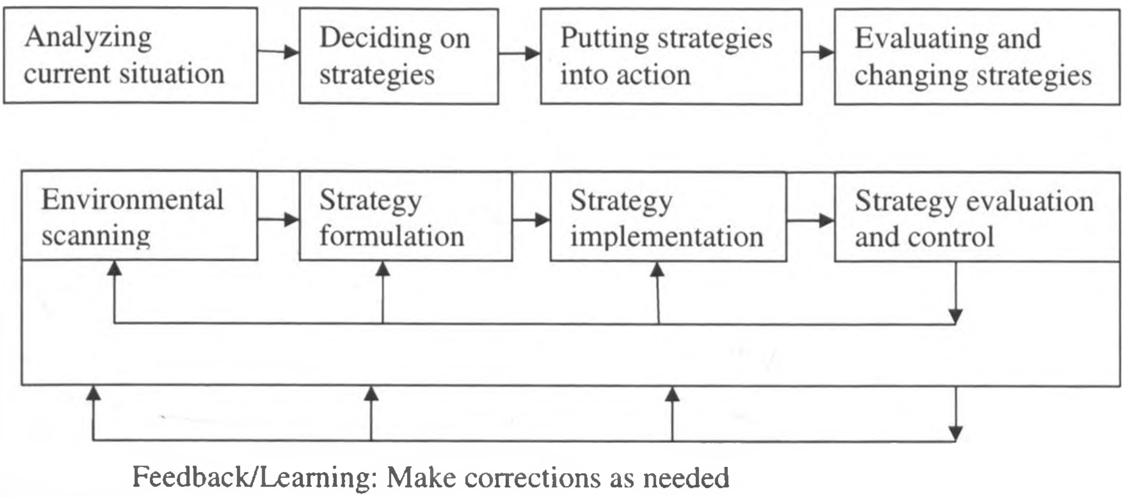


Figure 2: Four elements of strategic management. (Wheelen & Hunger, 2006)

2.3.1 Environmental Scanning / Situation Analysis

Wheelen & Hunger (2006) put forwards that environmental scanning is the monitoring, evaluating and disseminating of information from the external and internal environments to key people within a company. Situation analysis provides the information necessary to create a company mission statement. Situation analysis involves "scanning and evaluating the organizational context, the external environment, and the organizational environment" (Coulter, 2005). This analysis can be performed using several techniques. Observation and communication are two very effective methods. To begin this process, organizations strategies into action and see how it works. If it does not work, you have to evaluate again and change another one. These elements are steps that are performed, in order, when developing a new strategic management plan. Existing businesses that have already developed a strategic management plan will revisit these steps as the need arises, in order to make necessary changes and improvements.



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Organizations also need to analyze the external environment. This would include customers, suppliers, creditors, and competitors. Several questions can be asked which may help analyze the external environment. What is the relationship between the company and its customers? What is the relationship between the company and its suppliers? Does the company have a good rapport with its creditors? Is the company actively trying to increase the value of the business for its shareholders? Who is the competition? What advantages do competitors have over the company?

Three kinds of analysis can be used for environment scanning.

1. Systematic analysis

Systematic analysis makes a basis for decision making in strategic management. It helps to identify operational environment and its effects on a company, e.g. analysis of environment, interest group, customers, competitors, suppliers, and scenarios. (Jobber, 1995)

2. Synthesis analysis

Synthesis analysis combines environmental and internal analysis .Internal analysis is to analyze the productivity, economy, impressiveness of the organization. (Jobber, 1995)

3. SWOT-analysis

Jobber (1995,40) stated that SWOT (strengths, weaknesses, opportunities and threats) analysis is an analysis of a company's advantages, shortcomings, favorable factors and clubs external. It is the most common ways in the strategic management. A good SWOT analysis can help a company to understand itself better and it is an important guideline for making a proper marketing strategy plan. From the figure 3 it can be shown that strength and weakness belong to the internal origin of a company, and the opportunities and threats must be analyzed from the external environment.

SWOT ANALYSIS

Internal origin

Helpful to achieving objectives STRENGTHS	Harmful to achieving objectives WEAKNESSES
OPPORTUNITIES	THREATS

External origin

Figure 3: SWOT analysis model (Zhao, 2010).

All in all, environmental scanning (strategic analysis) provides the basis for formulating strategy on each of four possible levels: functional, business, corporate and international.

2.3.2 Strategy Formulation

Strategy formulation; involves designing and developing the company strategies. Determining company strengths aids in the formulation of strategies. Strategy formulation is generally broken down into three organizational levels: operational, competitive, and corporate. Operational strategies are short-term and are associated with the various operational departments of the company, such as human resources, finance, marketing, and production (Coulter, 2005). These strategies are department specific. For example, human resource strategies would be concerned with the act of hiring and training employees with the goal of increasing human capital. Competitive strategies are those associated with methods of competing in a certain business or industry. Knowledge of competitors is required in order to formulate a competitive strategy. The company must learn who its competitors are and how they operate, as well as identify the strengths and weaknesses of the competition. With this information, the company can develop a strategy to gain a competitive advantage over these competitors. Corporate strategies are long-term and are associated with "deciding the optimal mix of businesses and the overall direction of the organization" (Coulter, 2005). Operating as a sole business or operating as a business with several divisions are both part of the corporate strategy.

Strategy formulation is the developed phase of long-term plans for the effective management of environmental opportunities and threats on the principle of companies' strengths and weaknesses. It comprises defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines. Next they will be introduced in details (Quinn & Ghoshal, 1999)

Mission

"That business mission is so rarely given adequate thought is perhaps the most important single cause of business frustration."-Peter Drucker (Fred, 2011)

Mission and vision are viewed as two different concepts. Mission describes what the organization is now. It emphasizes the current situation and goals. Wheelen and Hunger (2006) proposed that mission is the purpose or reason for the organization's existence. A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and the scope of the company's operations in terms of product (including services) offered and markets served (Wheelen & Hunger, 2006).

Vision

"A corporate vision can focus, direct, motivate, unify, and even excite a business into superior performance."-John Keane (Fred, 2011)

Vision is used to describe what the company would like to become in the future. Wheelen & Hunger (2006) defines that vision puts into words not only what the company is for the moment but what it wants to become. In the other words; it is referred to management's strategic vision of the firm's future.

Objective

Objectives and goals can be stated as what is to be achieved and when results are to be accomplished but they do not state how the result is to be achieved according to Quinn and Ghoshal (1999). A company can have many specific objective and goal in every period (Quinn & Ghoshal 1999). Objectives are the final results of planned activity. They should be stated as action verbs and tell what is to be accomplished by when a quantified if possible. The objective specifies the organization's mission. The achievement of corporate objectives should bring about the fulfillment of a corporation's mission. (Wheelen & Hunger, 2006)

Goal

Goals are seen as an open-ended statement of what one wants to accomplish with no quantification of what is to be achieved and no time criteria for completion (Wheelen & Hunger, 2006). A company might establish its goals and objectives in many areas which include profitability (net profits), efficiency (low costs), growth (increase in total sales, assets), shareholder wealth, reputation, contributions to employees (wages, diversity) and contributions to society (taxes paid, participation in charities).

Strategy

Wheelen and Hunger (2006) think a strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives so that it can realize the mission. It maximizes competitive advantage and minimizes competitive disadvantage. Strategy can be divided into three types. Companies should use them simultaneously. There is a hierarchy of strategy which is a nesting of one strategy within another so that they complement and support one another. It can be concluded in the following figure.

CORPORATE STRATEGY
(Overall direction of company and management of its business)

BUSINESS STRATEGY
(Competitive and cooperative strategies)

FUNCTIONAL STRATEGY
(Maximizing resource productivity)

Figure 4: Hierarchy of strategy (Wheelen & Hunger, 2006).

Hierarchy of strategy

1. Corporate strategy

The first hierarchy is corporate strategy. It describes a company's overall direction in light of its general attitude toward growth and the management of its various businesses and product lines base on Dess and Miller's(1993) statement. Three main categories can be used for corporate strategy which is stability strategy, growth strategy and retrenchment strategy respectively (Dess & Miller, 1993).

2. Business strategy

The second hierarchy is business strategy. Business strategy usually happens at the business unit or product level and it emphasizes improvement of the competitiveness, positions of a corporate products or services in the specific field or market segment served by that business unit. (Dess & Miller, 1993) There are two main categories in business strategy: competitive and co-operative strategies (Dess & Miller, 1993).

3. Functional strategy

The third hierarchy is functional strategy. It is the approach taken by a functional area in order to achieve corporate and business unit objectives and strategies by means of optimizing resource productivity. (Dess & Miller, 1993) In a word, there is metaphor to describe the relationship between corporate strategy and business strategy. If corporate strategy is like a big family, then the business strategy is like many children of it.

4. International strategy

Except these three strategy, Dess and Miller (1993) also point out nowadays the most international companies must formulate strategy not only by across national borders but also across corporate, business and function levels. While facing up to all the challenges of strictly domestic businesses, these companies must also compete with differences in social, political, cultural and economic systems of different nations. (Dess & Miller, 1993)

Policy

Policies are the last but important element in strategy formulation. They are rules or guidelines that express the limits within which action should occur. (Quinn & Ghoshal, 1999) A policy is an extensive guideline for leaders to make decisions that combines the formulation of a strategy with its implementation (Wheelen & Hunger, 2006). Wheelen and Hunger (2006) also stress that using policies can make sure that employees throughout the firm make right decisions and take actions that support the company's mission, objectives and strategies.

2.3.3 Strategy Implementation

When you have strategies and polices, you need put them into action through the development programs, budgets and procedures. This process is called strategy implementation. It might contain changes within the overall structure, culture, and management system of the entire company. The programs, budgets and procedures are three approaches in the strategy implementation. Wheelen and Hunger (2006) acknowledge that a program is a statement of the activities or steps needed to accomplish a single-use plan. It is the orientation of strategy. Also, a budget is a statement of a corporation's programs in terms of money. It is used in planning and control, a budget lists the detailed cost of each program. At last, Procedures are a system of sequential steps or techniques that describe in detail how a particular task or job is to be done. (Wheelen & Hunger 2006)

Strategy implementation; involves putting the strategy into practice. This includes developing steps, methods, and procedures to execute the strategy. It also includes determining which strategies should be implemented first. The strategies should be prioritized based on the seriousness of underlying issues. The company should first focus on the worst problems, then move onto the other problems once those have been addressed. "The approaches to implementing the various strategies should be considered as the strategies are formulated" (Coulter, 2005). The company should consider how the strategies will be put into effect at the same time that they are being created. For example, while developing the human resources strategy involving employee training, things that must be considered include how the training will be delivered, when the training will take place, and how the cost of training will be covered.

2.3.4 Strategy Evaluation and Control

After implementation period, how can we know whether the result is good or not? Therefore we cannot skip evaluation and control. It is a process in which company activities and performance results are monitored so that actual performance can be compared with desired performance. Performance is the last result of activities. It involves the actual outcomes of the strategic management process (Wheelen & Hunger, 2006). Evaluation needs feedback as well. With the developing of a company, the strategist must go back to revise or correct decisions made earlier in the process (Wheelen & Hunger, 2006).

Strategy evaluation involves; "examining how the strategy has been implemented as well as the outcomes of the strategy" (Coulter, 2005). This includes determining whether deadlines have been met, whether the implementation steps and processes are working correctly, and whether the expected results have been achieved. If it is determined that deadlines are not being met, processes are not working, or results are not in line with the actual goal, then the strategy can and should be modified or reformulated. Both management and employees are involved in strategy evaluation, because each is able to view the implemented strategy from different perspectives. An employee may recognize a problem in a specific implementation step that management would not be able to identify. The strategy evaluation should include challenging metrics and timetables that are achievable. If it is impossible to achieve the metrics and timetables, then the expectations are unrealistic and the strategy is certain to fail.

The strategic management process is a continuous process. "As performance results or outcomes are realized - at any level of the organization - organizational members assess the implications and adjust the strategies as needed" (Coulter, 2005, p. 9). In addition, as the company grows and changes, so will the various strategies. Existing strategies will change and new strategies will be developed. This is all part of the continuous process of improving the business in an effort to succeed and reach company goals.

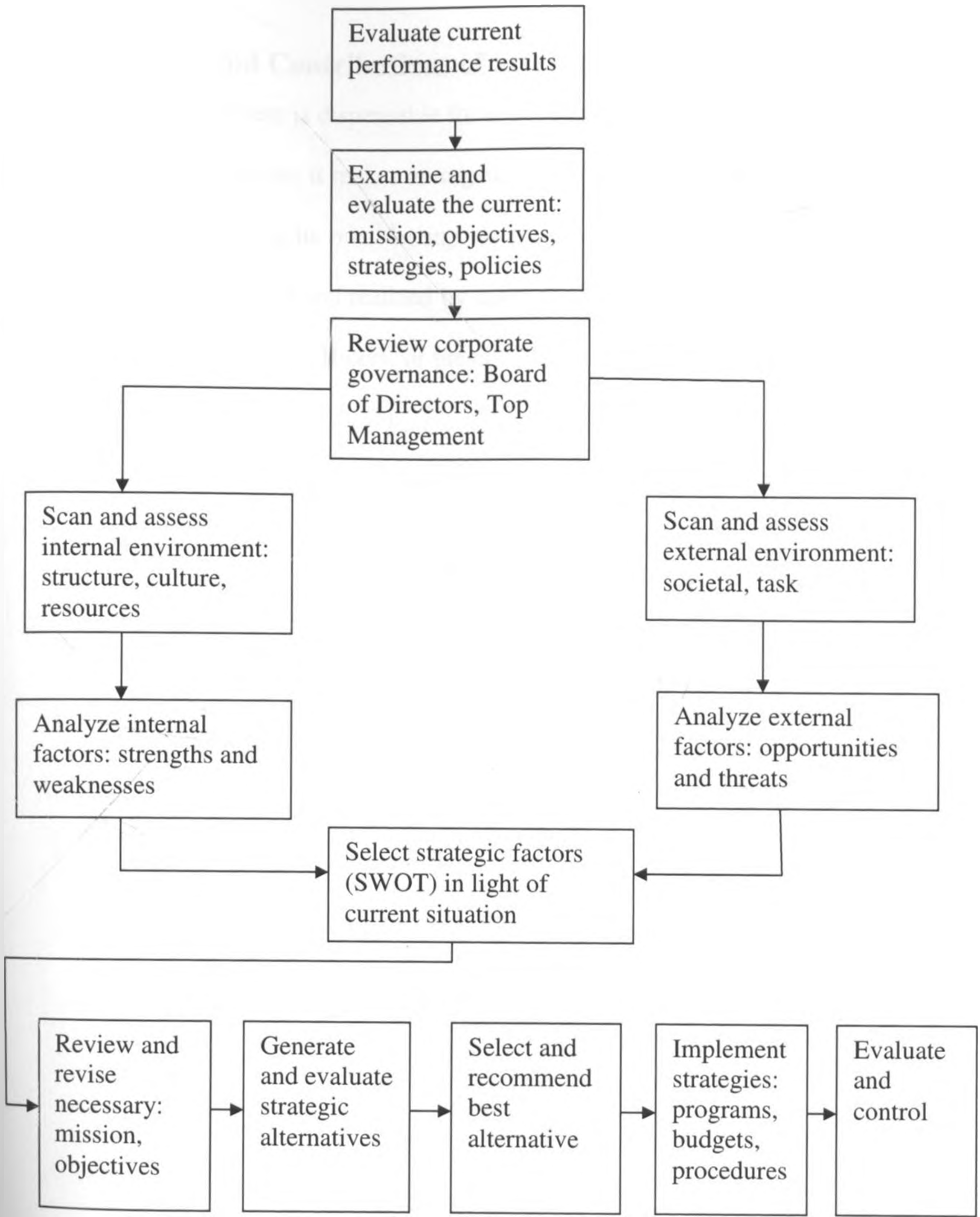

Figure 5: Strategic decision-making process (Wheelen & Hunger, 2006)

2.4 Benefits and Contributions of Strategic Management

Strategic management is dispensable for a company to be more proactive than reactive in molding its own future; it makes an organization to initiate and affect activities so that it can exert control over its own destiny. At present, the benefits of strategic management begin to be recognized and realized by more and more people, no matter small business owners, chief executive officers, or presidents and managers of many for-profit and non-profit organizations (Fred, 2011).

Looking back in history, the basic benefit of strategic management has been helped organizations formulate sound strategies by using the more systematic, logical and rational approach to strategic choice (Fred, 2011).

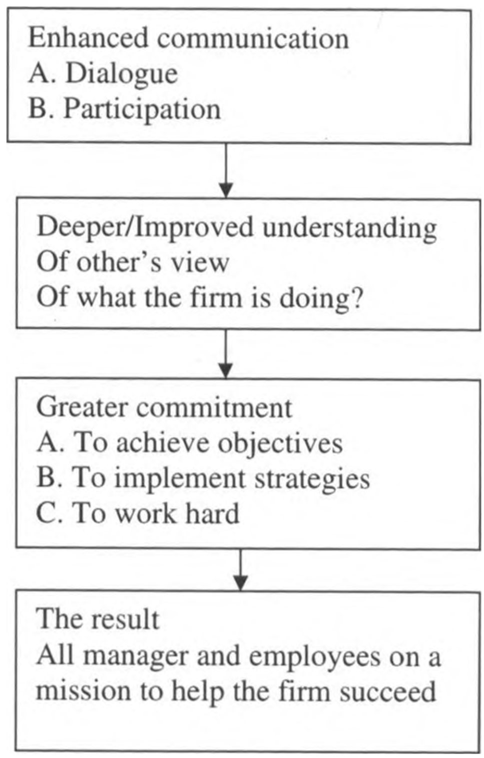

Figure 6: Benefits of strategic management (Fred, 2011)

Figure 6 above illustrate the benefits of a firm that does the strategic planning. Generally speaking, a well strategy need all the employees to help to accomplish on a mission, thus the whole process of strategic management is a good way to motivate all managers and employees dedicating to the company. First of all, it help them to enhance communication, the employees began to know what the company is doing, how to achieve the goal, so that they involve themselves into the firm and make a greater commitment for it. Then the managers and employees become more creative and hard-working when they gradually understand each other. Finally, the company will succeed with the effort of the entire employees. (Fred, 2011)

To be specific, the benefits consist of financial benefits and non-financial benefits. Financial benefits include improvement in sales, profitability and productivity. A good strategic management can achieve the mission, objectives of the company; the profits will come naturally (Fred, 2011). Meanwhile, there are many non-Financial Benefits. They are listed in following paragraphs: (Fred, 2011)

1. It can improve understanding of competitors strategies. A good SWOT can help us to understand the difference with our competitors, including the awareness of threats.
2. It allows reducing resistance to change. More and more opportunities can be exploited in the process.
3. It defines the management problems objectively.
4. It provides a framework for a company to coordinate and control the activities.
5. It promotes the communication among the employees and managers.

6. It encourages having a strategic think, inspiring people think about more about the future of a company.

The positive effects of using strategic management are mentioned in many studies. For example, Hunger (1996) ascertained that strategic planning is shown to be beneficial in 89% of studied companies. Those which use strategic planning are more successful than the branch average, (Rhyne, 1986) while companies that do not apply strategic management have fewer chances of surviving (Capon 1994). Strategic planning helps managers to take a long-term view, diverts management from day-to-day operational problems, improves the decision-making process and has a positive effect on the company's financial performance. (Schwenk, 1993)

The important benefits for a company which applies strategic management are (Mintzberg 1998; Pucko 1999; Richardson 1995): the focus of effort and setting of directions; distinguishing the company from its environment; providing consistency in the decision-making process; magnifying the focus on the external environment; intensifying instruments for guiding and leading employees; making communication and mutual understanding easier; establishing a system for logical and systematic problem-solving; providing for the rational distribution of scare resources among units, programmes and projects allowing effective managing and lower business costs; enabling the controlling of the set objectives; reducing indistinctness; and ensuring order. The main reason for using strategic management is to more easily master the business environment's complexity, which is difficult to achieve unless we manage it in a settled and systematic way. Skeleton and flexible planning could be a firm base for an on-time and successful company response (Pucko 2001).

2.5 Criteria of effective use and suitability of Strategic Management

The key responsibility for the successful use of strategic management lies on the side of top management, which should be very familiar with the internal and external environments, be responsible for the whole process of strategic management, be the main visionaries and strategists, in strategy planning and realization they should attract the company's important stakeholders and change strategic thinking into a collective learning process, while the introduction of changes should be innovative and gradual (Mintzberg 1996). To successfully apply strategic management the assumptions about the environment, the mission and core competencies must fit in the reality, they must be known and understood throughout the organization and be constantly tested (Drucker 1995).

Companies must be flexible in order to be able to respond rapidly to competitive and market changes. Once the heart of strategy', positioning is rejected as being too static for today's dynamic markets and changing technologies. Since competitors can quickly copy any market position, a competitive advantage is at best temporary. A company can outperform its rivals only if it can establish a difference that it can preserve. Strategic positioning can be based on customers' needs, customer accessibility or the variety of a company's products or services (Porter 1998). These days strategic management is less focused on planning products. The main focus lies on strategic positioning, which includes the planning and development of sustaining key success factors.

2.6 Critiques and limitation of Strategic Management

Strategic management has been accompanied by much criticism. Where strategic thinking is lacking, the traditional strategy formulation process is not up to today's fast and dynamic environment changes, it usually focuses on analyzing the past and it is too static in generating responses to existing' environment conditions (Hammonds 2001). But, according to Richardson (1995), while strategic management is not contestable the quality of its actual use is more questionable.

The critics of strategic management are categorized in the following three problem areas which reduce the expected results: a. inappropriate philosophy in strategy formulation; b. inadequate process used in analyzing data; and c. the context of the planning system not fitting in with the real condition of the environment. Too formal a planning system is considered unsuitable for crises. As presented in this section, strategic management encompasses all aspects of a companies' environment and therefore significantly differs from most other management techniques that only seek to improve certain aspects of a company's performance.

Through the general introduction, we know that strategic management includes three aspects which are strategic planning, strategic implementation and control of the strategy in an organization. Almost all the modern organizations have tried strategic management to make sure that they can reach the expected level of performance. However, there are still many challenges for strategic management in the modern business society. (Hajara, 2011)

1. Orientation for globalization

Now nearly every business organizations begin to get globalised, step in to global operations with the multi-national corporations or use other foreign business operations methods. Because of the globalization of operations of in business world there are many new orientations coming out, such as international human resource management (IHRM) and international finance. The process of company's strategic management has to be renovated all the time to deal with these new orientations. (Hajara, 2011)

2. Emerging e-commerce and internet culture

With the increasing expansion of internet and the technology, some companies have turned attention to e-commerce where they conduct business with electronic means such as online purchasing, online selling and online advertising. Strategic management process of the business should succeed to change e-commerce motivation into the business process. (Hajara, 2011)

3. Cut throat competition

When the globalization, e-commerce and many other changes emerged in the business society, business has become hyper competitive. If you are not using proper competitive strategy, the organization cannot survive any longer. The process of strategic management can help to generate competitive intelligence, foresee the next moves of rivals and build the competitive strategy to defeat competitors in the tough battle. (Hajara, 2011)

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4. Diversification

With increased uncertainty and the rapid changes in business environment, the business risk has grown up substantially. Companies now engage in diversified operations must diversify the business risk where they focus on more than one business area or industry rather than specializing in one area. The strategic management should be capable of identifying diversification of business opportunities and manage them well. (Hajara, 2011)

5. Active pressure group

Under the modern society, there are active pressure groups operating such as environmental activism and consumer protectionism. Therefore strategic management must identify these external pressure groups and understand their concerns. (Hajara, 2011)

6. Motive for Corporate Social Responsibility (CSR) and ethics

Also, the modern business organizations have to possess corporate social responsibility and ethics to attain their corporate reputation so that it can be more competitive in the environment. Strategic management should do researches for possible corporate social responsibility activities and implement those to be in step with expectations of the society. (Hajara, 2011)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

It considers the research methods and the logic behind them in the context of the research study. It explains why we are using a particular method over another (Kothari, 2003). This chapter presents a detailed description of the selected research design. It describes in details what will be done how it will be done. It comprises several subsections as follows; research design, data collection procedure and data analysis.

3.2 Research Design

This study used a case study design, this was after the consideration of the purpose, objectives, and research questions discussed in chapter one. Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984, p. 23). A case study research design was suitable because it is an interview, descriptive and holistic in analysis. It would seek to explain rather than give a prediction of the outcome of the study. The explanation was given from the data collected and analyzed. The justifications of case study design were as follows:-

The interview schedule was designed to retrieve/obtain data with specialized features based on strategic management in organization, so respondents were also special employees. The researcher was keen on adding value to the existing knowledge so it is critical to interview knowledgeable and talented personnel. The researcher was keen on an organization with well established barometers of management and operation lines. The researcher had a clearly identifiable case with boundaries and is seeking to provide an in depth understanding of the case.

3.2 Data Collection

The strategic management process requires competent individuals to ensure its success. Therefore, to understand strategic management, we must know where strategic decisions are made in organizations. The data collected was typically extensive, drawing on multiple sources of information; interviews, documents and face to face discussions. This study was conducted in Naivas Limited Head office and aimed to collect data from the seven top management official who included; the General Manager, Purchasing Manager, Finance Manager, Marketing Manager, Information Technology Manager, Logistics and Distribution Manager, Business Development Manager. These officials were selected because the design and implementation of strategic management is the domain of top management in any institution who have wide experience, ideas, and conceptualize all performance parameters.

The research tools used for collecting data from the top management included scheduled interviews, face-to-face discussions and financial statements .The research tools above were used due to the following reasons:- Interview schedule was used to collect data from top management officers pertaining to historical account, achievements, strategic management practices in application, an account on failures, difficulties, area of future research, areas for more training and development, difference in performance, strategic management practices and strategies for improving performance. The study sought to investigate and analyze the company's history and growth since the company's past can greatly affect the present and future state of the organization. To begin my case study analysis, I investigated the company's founding, critical incidents, structure, and growth. I also sought to Identify Strengths and Weaknesses within the Company while gathering information on the external environment. This involved identifying opportunities and threats within the company's external environment.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Data Analysis

This is a process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, in different business, science, and social science domains. The researcher has applied content analysis in analyzing the data collected from the organization; there was use of flowcharts, diagrams to pictorially represent the reasoning process as well as written descriptions.

Data analysis was critical and crucial in research because it was the area that answered the research objectives and the questions. It grouped the views and opinions of all respondents in Naivas together as per various dimensions, that the researcher felt was critical in the organizational performance, survival, progress and success.

In order to keep the accuracy of this research, different approaches were used to gather the data:

1. A study of the annual financial reports of Naivas Limited.
2. Interview with Naivas limited top management.
3. Information from Naivas limited official website, newspaper.

On the basis of the general information from Naivas limited official website, the overview of Naivas conception, business idea, objectives, and goals could be described. The interviews with the top management were for in-depth and concrete analysis of Naivas limited strategic management. In this interview, all the questions seem to be creditable and valid, because these questions are absolutely answered and explained well and objectively through face-to-face communication with interviewees. During the whole process of research, seven interviews have been conducted.

The list of interviewees is as follows:

TITLE	NAME	DATE
General Manager	Francis Maswili	26/09/2011
Finance Manager	Jonathan Ng'ang'a	26/09/2011
Marketing Manager	Willy Kimani	26/09/2011
IT Manager	Joseph Ngugi	26/09/2011
Operations Manager	George Njuguna	26/09/2011
Procurement Manager	Elijah Mwai	26/09/2011
Logistics and Distribution Manager	Samuel Wang'ang'a	26/09/2011

Table 1: The list of interviewees (Author, 2011)

4.2 Results and Discussion

In this part, the substantial results of this research have been generalized. They are analyzed according to the theoretical knowledge concerning basics of strategic management. All the findings combined the Naivas Limited case and theories together in order to interpret the whole process of strategic management.

4.2.1 Environment Analysis

As mentioned in the theoretical part, environment analysis consists of mission, vision, value, goal and objectives. After the research, the detailed environmental analysis of Naivas Limited has been summarized in next paragraphs.

4.2.1.1 Mission

"2010 was a very good year for Naivas with a sales increase of 15 percent. Profit after Tax increased to Ksh. 70 million. During the year we improved our market position further with a strengthened customer offering, by giving the customers variety of products and quality at the best price."-Francis Maswili, General Manager (Naivas, 2011)

From the comments of General Manager-Maswili, we can see that the mission for Naivas Limited is to strengthen customer offering by giving more products and quality at the best price. To achieve that mission, Naivas Limited expanded substantially during 2010 and 2011, opening stores in numerous exciting new markets. For example, Kisii branch in October 2010, Ruaraka branch in July 2011and Kitengela branch in August 2011. With the fast expansion all over Kenya, Naivas Limited is gradually becoming stronger and have a firm position in this industry (Naivas, 2011).Among these markets, Machakos branch is their biggest one, followed by the Kitengela branch and Eastgate branch. Obviously, they have great potentials for continued expansion and growths in 2011.

4.2.1.2 Vision

Naivas vision is always to provide the customers with a better offering and even want to exceed their customers' expectations. Naivas limited took several years of efforts to realize it. Take an example; Naivas Limited opened its first branch with its own bakery in 2009, offering customers fresh pastries. In the early 2010 Naivas Limited launched m-pesa shopping where customers could make payments for purchased goods through m-pesa. At the same time, Naivas is still trying to expand the online sales, at the beginning

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From the table in 2011 annual report, Naivas limited is absolutely optimistic about the future plan. In the figure below, gross profit the financial year 2011 increased from Ksh 1,246.00 to 1,372.00 million. The gross margin grew by 10%, this is a significant performance. (Naivas, 2011)

Key Financial Highlights of Naivas Limited (Kshs. M)

	2009	**2010**	**2011**
Sales	8,069.00	9,280.00	10,209.00
Total Assets	2,590.00	3,100.00	3,500.00
Cost of Goods Sold	6,986.00	8,034.00	8,837.00
Gross Profit	1,083.00	1,246.00	1,372.00

Table 2: Key Financial Highlights (Author, 2011).

4.2.1.3 Value

"Variety products and quality at the best price" (Naivas, 2011)

Everyone knows that Naivas is a value-driven company. The Naivas spirit is made according to a lot of core values that describe the way they work. Among these values, the foundation of this is very important – variety products and quality at the best price. Almost every member of Naivas believes this and lives up to this value (Naivas, 2011).

In the interview with Naivas top management about the feeling in Naivas Limited, their answers were incredibly the same. They all said "they are very happy to be one of Naivas; they are enjoying their jobs and like to offer valuable products." Besides, the Naivas spirit's basic values also include simplicity, continuous improvement, team spirit and personal initiative (Monster, 2010)

Naivas think that individual decision-making and the assumption of responsibility should be encouraged, and employees' performance will be evaluated by receiving regular feedback concerning their work. Transferring of responsibility to the retail store level is one important thing of their cultural value, so every Naivas shop will share the same corporate culture and pass on it. In this way employees should feel a strong individual commitment to Naivas, and their individual initiative is also encouraged. They believe that creativity and pleasure of a work will be created when they are work in a favorable environment. (Monster, 2010)

4.2.1.4 Goal

"To increase the number of stores by 3 – 5 per year" (Naivas, 2011).

"Our global growth strategy is for each individual store to strengthen the Naivas brand while also contributing to increased sales and profitability," said the General Manager, Francis Maswili. In 2009, Naivas was expanded rapidly; one important achievement that year was the new establishment in Dohnholm (Eastgate) which was welcomed by hundreds of people living in the neighboring estates. Later, other stores opened in the Eldoret, Kasarani and Kitui. As far as we know, we believe that Naivas can make this goal come true in the near future as this kind of developing speed is concerned (Naivas, 2011). In order to grow rapidly, Naivas Limited puts much pressure on the team to remain flexible, taking all kinds of measures to keep the quality and production speed.

4.2.1.5 Objective

The overall objectives of Naivas focus on the environmental and social aspects. Naivas environmental objectives are environmental awareness, respect for nature, the sustainable use of resources, healthy products, clean production and supply chain. The company considers it is very important to promote the environmental awareness to the employees and suppliers. Naivas pays attention to the nature and takes it into consideration when making decisions for the company. Naivas respect towards the environment is seen throughout the whole supply chain and waste reduction to sustainable production methods. (Naivas, 2011)

Naivas social objectives are closely related to the Code of Conduct, which Naivas has developed in order to maintain control among its many suppliers. All suppliers must agree on the Code of Conduct, in order to become a supplier for Naivas. Therefore, one of Naivas social objectives is to have full compliance with the Code of Conduct. Naivas also wishes that the Code of Conduct can reflect the company's business activities and is followed by means of efficient management system. In addition, Naivas values its employees greatly and therefore, the staffs are to be informed of their rights and they are protected in all legislations. Naivas considers it important to inform stakeholders and engage both them and the employees in Corporate Social Responsibility. (Naivas, 2011)

4.2.2 Strategy Analysis

In this section, a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of Naivas has been given in the following table. These results are based on the data from annual reports, interviews with Naivas staffs and official website. In this paper, SWOT analysis is the most important part in terms of strategy analysis.

4.2.2.1 SWOT Analysis of Naivas Limited

A SWOT analysis of Naivas involving the strengths, weaknesses, opportunities as well as threats can be briefly shown in table below.

STRENGTHS • Strong brand image • Fair prices	WEAKNESSES • Slow distribution system • Amount of suppliers (require resources)
OPPORTUNITIES • Possible new markets in smaller towns • Online market	THREATS • Lots of competitors

Figure 7: SWOT Analysis of Naivas (Author, 2011)

Strengths of Naivas Limited

Naivas strengths include a good brand image and fair price. Naivas has established a strong brand which motivates employees creating unity and attracts skilled work force. The company benefits from a good image from the customers and they have a strong fame everywhere in the country thanks to its huge number of outlets. Also the prices that Naivas offer to its customers are really competitive thanks to the cost saving management way of the company. (Maswili, 2011)

Fair price is known by almost everybody. Their other strength is that they have a wide range and many different concepts. The entire concept of low priced apparel has brought loyal customers for Naivas for years. The various departments for foodstuffs, clothing, electronics, furniture and households are their foundation.

Weaknesses of Naivas Limited

As the company wants to save money everywhere it's possible, the distribution system is really slow and it takes a lot of time to deliver a product to the outlet. It may be really bad for the reaction time if the company's customer goes for the competitors offer. Naivas has a huge number of suppliers which is a good thing. However, to control of all these demand great resources and management. If Naivas cannot maintain its effective organizational structure, the situation may lead to the failure of control. (Maswili, 2011)

Opportunities for Naivas Limited

There are several opportunities for Naivas to develop its business. As the online market is more and more developed and Naivas should start to sell its product online. At the start of 2011, Naivas was launching the new Naivas Shop Online in the markets where they offer online sales already. Shopping experience and functionality have been improved. Finally the development of some other smaller towns in Kenya can give the opportunities to

Naivas to find new market in terms of customers, cheaper suppliers and more preferment in terms of quality and time of production. (Maswili, 2011)

Threats facing Naivas Limited

The major threat is that this market is full of competitors that are constantly growing and that are generally aggressive. That's why Naivas should keep its effort in differentiation in order to face this competition. In addition, there are other risks and uncertainties they cannot avoid and predict. It related to fashion, weather situations, climate changes, trade interventions and exchange rates, but also in connection with expansion into new markets, the launch of new concepts, changes in consumer behavior and handling of the brand. (Naivas 2011) The year was also full of challenges. The global financial crisis and recession, with more consumer restraint and discount driven markets, naturally affected. However, Naivas recognized that there were things they could have done better too. Self-criticism and striving to make constant improvements are part of Naivas corporate culture and they work hard to become more efficient in all areas. Increased efficiency also means that they can invest in giving the customers an even more attractive offering.

4.2.3 Strategy Formulation

Naivas strategy is well developed and it is working very well. Therefore the company is the leader on its market today. To permit this huge success, Naivas management establishes a really complete strategy that is carefully formulated in order to achieve the objectives and goals of the organization. The hierarchy of the strategy is a part of the strategy formulation. As we mentioned in the chapter 2, it includes corporate strategy, Naivas to find new market in terms of customers, cheaper suppliers and more preferment in terms of quality and time of production. (Maswili, 2011)

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The strategy of Naivas is both lower costs and differentiation: They are constantly looking for reduce cost in every step of the business in order to offer to the customers the best prices. First they have a simply supply chain management that is based on a "just in time" management system. Delivery times vary from 2-3 weeks to six months, depending on the type of product. It is therefore important to be able to order each item at the right time for stores in order to have it on time. The short delivery times is not always wanted because they must consider the compromise between price, time and quality. (Naivas, 2011) In the same time they really want to be different than the competitors in order to have a competitive advantage. This sector is really competitive and Naivas need to be different to attract the customers and increase the market shares.

Corporate strategy

As we mentioned in the theoretical part, the corporate strategy describes the direction an organization takes with the objective of achieving business success in the long term (Wheelen & Hunger 2006, 15).

There are three different corporate strategies possible:

1. Growth strategy

This is when a company has the strong wish to grow and increase the market share, the territorial presence, the profit and in a more large way, the wish to growing the business.

business strategy and functional strategy. All three are used in a company's strategic management. The different strategies must support and complete each other in order to be efficient.

The strategy of Naivas is both lower costs and differentiation: They are constantly looking for reduce cost in every step of the business in order to offer to the customers the best prices. First they have a simply supply chain management that is based on a "just in time" management system. Delivery times vary from 2-3 weeks to six months, depending on the type of product. It is therefore important to be able to order each item at the right time for stores in order to have it on time. The short delivery times is not always wanted because they must consider the compromise between price, time and quality. (Naivas, 2011) In the same time they really want to be different than the competitors in order to have a competitive advantage. This sector is really competitive and Naivas need to be different to attract the customers and increase the market shares.

Corporate strategy

As we mentioned in the theoretical part, the corporate strategy describes the direction an organization takes with the objective of achieving business success in the long term (Wheelen & Hunger 2006, 15).

There are three different corporate strategies possible:

1. Growth strategy

This is when a company has the strong wish to grow and increase the market share, the territorial presence, the profit and in a more large way, the wish to growing the business.

2. Stability strategy

This is when a company is satisfied with its current rate of growth and profits; it may decide to use a stability strategy. This strategy is essentially a continuation of existing strategies.

3. Retrenchment strategy

The retrenchment strategy includes a reduction in the scope of a corporation's activities, which also generally necessitates a reduction of the number of the employees, sale of assets associated with discontinued product or service lines, possible restructuring of debt through bankruptcy proceedings, and in the most extreme cases, liquidation of the firm.

Naivas Limited growth strategy

Naivas Limited has a constant growth strategy based on really fast market coverage by opening constantly new stores every year. The company has plans to double its number of outlets by 2015 that implies that they plan to have about 35 stores around the country. It means that they open a new store quarter year; they want to be present everywhere in the country and in every activity areas. They are also always looking for occupying markets share from the competitors and increasing the amount of sales, the popularity and the profit. (Naivas, 2011)

Business strategy

The business strategy is the attitude of a company to react from its competitors. It could be a competitive strategy or a cooperative strategy. Naivas have a really aggressive competitive strategy as they do not cooperate with no one and are always looking to eating the market share from competitors by using fair prices and as we previously have seen their differentiation competitive advantage. (Naivas, 2011)

Functional strategy

The Functional strategy is when a company uses one functional area on its organization in order to achieve the objectives and be more competitive (Wheelen & Hunger, 2006). For example, an IT company such as Samsung will surely have a functional strategy based on research and development in order to create new IT materials and be more competitive. The Naivas functional strategy is also based on the research and development area of its organization as they are constantly looking for new products in order to be different from the competitors.

These strategies must be complete and consistent with each others in order to have an efficient global strategy. But we must also say that these strategies must be in accordance with the goals and the image that the company wants to share with customers. In this case Naivas has a goal that is really different to the strategy is that the company wants to offer products that are good in term of quality ,nevertheless at the same time they use cheap suppliers in order to be competitive and offer the best price to the customers.

4.2.4 Strategy Implementation

Naivas provides a wide range of strategic decisions for its operations. They are all extremely confident with decisions made by a big corporation. Objectives are well stated and informed to be acted before showing results of its strategic decisions. At the heart of Naivas success is a vertically integrated business model spanning, design, just-in-time production, marketing and sales. The key to this model is the ability to adapt the offer to customers' desires in the shortest time possible. For Naivas, time is the main factor to be considered, above and beyond production cost. The group believed that vertical integration gave it more flexibility than its rivals to respond to fickle fashion trends. With the Kenyan markets becoming saturated, Naivas is also looking at stretching its market by furthering its global expansion to neighboring countries.

Although Naivas is a new within the business area, the company has been utilizing a strategic marketing move, including a strategic planning in order to make the market be known in the marketing environment. The company has also made it possible to be connected to their target market through the use of technological advancement like the e-marketing. Moreover, this marketing entry strategy can be considered as effective since the company has included the entire factor to be assessed in order to make the business prolong its competitiveness and survive in the threatening place of the market.

4.2.5 Strategy Evaluation and Control

Naivas uses different kinds of reports to evaluate and inform of its past operations. For example, as a big part of Naivas strategy, sustainability is reported annually in a Corporate Sustainability Report. The company releases an annual report to conclude overall activities of the past year to its directors. Financial information is controlled by five year summaries.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

In the last chapter the whole project content will be reviewed again. Some limitations in the research process will be discussed. Also the experiences and suggestions from author can be concluded for further study and investigation.

5.1 Summary

The theme of this research project is to discuss the importance of strategic management. As people know, it is one of the compulsory subjects for business students. Nevertheless, why is it so important to learn the knowledge and how to apply the theory into practice? That is a tough question. Due to the globalization and development of Internet, it is necessary to know the knowledge about strategic management for a company. In order to solve this problem and explore the benefits of strategic management, this paper was made by a case study of Naivas.

Naivas is a nationally famous retail company and its success will be a reference example for any organization. It was really a big challenge for me to make the in-depth analysis of Naivas strategy because of lacking prior experiences and extensive materials which should be analyzed. In the theoretical part, as the strategic management involved vast quantities of information, this project selected the basic concepts concerning the topic to discuss. And the strategic analysis as a crucial part was stressed. After introducing the definition, the process, the benefits and challenge of strategic management, the environmental scanning of Naivas could be formulated. During the research process, the qualitative research was adopted and the data was collected though the interviews with Naivas top management, the official website and annual reports.

Thereby the exhaustive analysis of Naivas was made in order to illustrate the importance of strategic management and provide the successful experience for more companies. This included the current financial performance of Naivas, the company's mission and objectives and corporate governance. In addition, the societal trends affecting the company were presented along with SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the company's operations. The definition of the current situation at Naivas also included strategic factors and problems of immediate and long-term.

The strategic analysis of Naivas entailed all aspects of environmental scanning. These included environmental analysis showing how the company is affected by external factors as well as how the company deals with them. In addition, environmental scanning also included the internal analysis showing aspects of the organization and its economy. The strategic analysis would not be complete without the steps of strategic management, which were also provided in the research project. These included the strategy formulation (how Naivas creates its strategies), strategy implementation (how Naivas puts the strategies in use) and evaluation and control (how Naivas deals with the results of strategy implementation).

Recommendations for a company with the magnitude of Naivas are not easy to come up with, as the strategy is a result of many years of experience in the retail field. A company can always be advised to be more sustainable or be more innovative with trends, but a question can be made if it really is worthwhile to advice a company that has succeeded in so many markets in the delicate field of retail for so many years. In a word, all the research questions have been answered from the case study of Naivas Limited.

5.2 Limitation of this Research Study

There were some limitations in the process of data collection. Firstly, the exact figures of the sales situation are avoided in the interview. All of the analysis is concluded from the official website and annual reports. The answers from the interviewees are more general information therefore the recommendation cannot be made. Thirdly this topic tends to be limited to the strategists and senior management level.

5.3 Recommendation for Further Research

When finishing this research it can be found that the strategic management has played a significant role in the success of Naivas. In this research project, it only concentrates on a case study of Naivas. Probably it cannot be applied to other companies or fields. However it can be concluded that every company needs an accurate strategy before they explore the market. They should be clear about the marketing analysis and the advantage, disadvantage, mission, vision and goals. People can learn some successful experiences from some examples, but can't copy the strategy from others. Since every company has its own way of operation and characteristics. The author hopes this research project can help Naivas achieve a better performance in near future and it can raise more and more attention to strategic management. There is visionary management where there is hope of making Kenya a prosperous nation with better living standards, high per capital income as summarized in Vision 2030 of this nation. This could only be achieved when all entities were performing, meeting targets and drive desired economic growth.

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APPENDIX 1: INTERVIEW SCHEDULE FOR NAIVAS LIMITED

Part 1: Company background

a) How long have you been working in Naivas Ltd and what position do you hold?

....

....

b) Please give a brief historical account of your organization

....

....

Part 2: Strategic Management Practices

c) As we know 2010 and 2011 have been good years for Naivas Ltd in terms of sales and new outlets, do you think it has achieved its mission? What are the mission, vision and goals of Naivas Ltd?

....

....

d) What do you think is the key factor to Naivas Ltd's success?

....

....

e) How does Naivas Ltd determine, articulate and communicate company wide-ends?

....

....

f) How do you ensure understanding and obtain commitment to these ends?

....

....

g) What are Naivas Ltd's growth, size and profitability goals?

....

....

h) In which market does Naivas Ltd compete?

....

....

i) What is happening in the industry, with your competitors and in general?

....

....

j) Compared with other supermarkets, what is Naivas Ltd's competitiveness and weakness in your eye?

....

....

Part 3: Organizational performance

k) Are you satisfied with Naivas Ltd present sales?

....

....

l) As a manager of Naivas Ltd, do you think there is any relationship between the accurate strategic management and the success of Naivas Ltd?

....

....

m) Do you think the current business strategy for Naivas Ltd is reasonable? Is there anything that needs to be improved?

....

....

n) What measures do you think can help improve Naivas Ltd's developing situation?

....

....

o) What is the picture of Naivas Ltd in future five years in your mind?

....

....

p) Are the customers satisfied with Naivas Ltd quality of goods and services? How do you deal with customer complaints?

....

....

q) What is Naivas Ltd doing to improve customer service and to increase customer satisfaction?

....

....

Thank you.

APPENDIX 2: NAIVAS LIMITED PROFIT AND LOSS STATEMENT

YEAR	2009	2010	2011
AMOUNT	(KSH. M)	(KSH. M)	(KSH. M)
Turnover	8,069.00	9,280.00	10,209.00
Cost of Goods Sold	(6,986.00)	(8,034.00)	(8,837.00)
Gross Profit	1,083.00	1,246.00	1,372.00
Administrative Expense	(888.00)	(1,021.00)	(1,123.00)
Selling Expense	(104.00)	(120.00)	(132.00)
Finance charges	(4.00)	(5.00)	(6.00)
Profit before Tax	87.00	100.00	111.00
Less taxation (30%)	(26.00)	(30.00)	(33.30)
Net profit after tax	**61.00**	**70.00**	**77.70**