

**REAL TIME STRATEGIC ISSUE MANAGEMENT  
PRACTICES IN KENYA'S COMPANIES QUOTED IN  
NAIROBI STOCK EXCHANGE**

**BY**

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**A management project submitted in partial fulfillment of the requirements  
for the Degree of Masters of Business and Administration (MBA),  
Faculty of Commerce, University of Nairobi.**

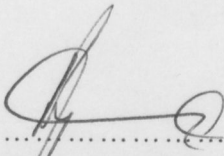
**April 2001**

**DECLARATION**

To my first born daughter Rose Wanjiku Nganga, a beautiful mentally challenged girl whose lack of mental capacity to learn the hard way...

This Project is my own original work and has not been submitted for a degree in any other University.

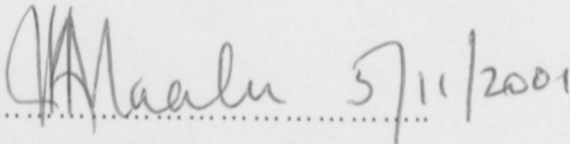
Signed.....



Peter Nganga

The Project has been submitted for examination with my approval as the University Supervisor.

Signed.....



Jackson Maalu

Lecturer, Business Administration Department



# DEDICATION

To my first born daughter Rena Wanjiru Nganga, a beautiful mentally challenged girl whose lack of mental capacity to learn the basics gave me inspiration to pursue this degree.

Page

## ACKNOWLEDGEMENTS

ABSTRACT ..... IV

## CHAPTER ONE

1 INTRODUCTION ..... 1

1.1 Background ..... 1

1.2 Statement of the Problem ..... 6

1.3 Scope of the study ..... 7

1.4 The study objectives ..... 8

1.5 Significance of the Study ..... 8

## CHAPTER TWO

2 LITERATURE REVIEW ..... 9

2.1 Introduction ..... 9

2.2 Concept of Strategy ..... 9

2.3 Strategic Human Management Practice ..... 12

2.4 Evolution of the HRM ..... 13

2.5 HRM and Organizational Factors ..... 13

2.6 Summary and Conclusion of Literature Review ..... 17

## CHAPTER THREE

3 RESEARCH METHODOLOGY ..... 18

3.1 Introduction ..... 18

3.2 Research Design ..... 18

3.3 Population ..... 18

3.4 Sampling ..... 18

3.5 Data Collection ..... 18

3.6 Data Analysis ..... 18

3.7 Ethical Considerations ..... 18

3.8 Summary ..... 18

## TABLE OF CONTENTS

	Page
LIST OF TABLES.....	I
LIST OF ABBREVIATIONS.....	II
ACKNOWLEDGEMENTS.....	III
ABSTRACT.....	IV
<b>CHAPTER ONE</b>	
<b>1 INTRODUCTION.....</b>	<b>1</b>
1.1 Background.....	1
1.2 Statement of the Problem.....	6
1.3 Scope of the study .....	7
1.4 The Study Objectives.....	8
1.5 Significance of the Study.....	8
<b>CHAPTER TWO</b>	
<b>2 LITERATURE REVIEW.....</b>	<b>9</b>
2.1 Introduction.....	9
2.2 Concept of Strategy.....	9
2.3 Strategic Issue Management (SIM).....	12
2.4 Practices for real time SIM.....	13
2.5 SIM and Organisational factors .....	15
2.6 Summary and Conclusions of Literature Review.....	17
<b>CHAPTER THREE.</b>	
<b>3 RESEARCH METHODOLOGY.....</b>	<b>18</b>
3.1 Introduction.....	18
3.2 Research Design.....	18
3.3 Population.....	18
3.4 Sampling.....	19

3.5	Data Description & Collection.....	20
3.6	Data Compilation and Analysis.....	21

## CHAPTER FOUR

4	RESEARCH FINDINGS.....	22
4.1	Introduction.....	22
4.2	Profile.....	22
4.2.1	Sector Classifications of the Companies Studied.....	22
4.2.2	Size.....	23
4.2.3	Ownership.....	23
4.2.4	Nationality of Chief Executive.....	24
4.2.5	Stability of production process (Technology).....	25
4.2.6	Culture.....	26
4.2.7	Infrastructure.....	27
4.2.8	Environmental turbulence perception.....	27
4.3	SIM practices/techniques/methods.....	29
4.3.1	Urgent and critical decisions makers.....	33
4.3.2	Strategic Issue Identification.....	34
4.3.3	Estimating the Impact.....	35
4.3.4	Estimating the Urgency of issues.....	37
4.3.5	Issues Assignment.....	37
4.4	Responses to urgent and critical issues.....	38
4.5	Periodic Planning and SIM (objectives revisions).....	40
4.6	Factors.....	41
4.6.1	Management Behaviour to unfamiliar and fast changes.....	41
4.6.2	Factors which greatly determine the Managers Delay time...	42
4.6.3	Analysis of factors influencing real time SIM practices.....	43

## CHAPTER FIVE

5	CONCLUSIONS AND RECOMMENDATIONS.....	49
5.1	Introduction.....	49

LIST OF TABLES

5.2	Conclusions.....	49
5.3	Limitations of the Study.....	50
5.4	Suggestions for Further Research.....	51

APPENDICES

Appendix A:	Research Authorising Letter.....	52
Appendix B :	Questionnaire used .....	53
Appendix D:	List of Companies quoted in Nairobi Stock Exchange.....	67

BIBLIOGRAPHY.....



## LIST OF TABLES

	<b>Table</b>	<b>Page</b>
1	Sectoral classification of companies under study.....	22
2	Size of companies studied.....	23
3	Ownership Distribution.....	24
4	Nationality of CEO.....	24
5	Production Process (Technology) .....	25
6	Culture.....	26
7	Infrastructure.....	27
8	External Environment Perception.....	28
9	Performance Measures.....	29
10	SIM practices/techniques/methods.....	29
11	Sector distribution and SIM practices.....	30
12	Size and SIM practices.....	31
13	Ownership and SIM practices.....	32
14	CEO Nationality and SIM practices.....	32
15	Mode of Making urgent & Critical Decisions.....	33
16	Study of environment trends.....	34
17	Study of internal business trends.....	34
18	Study of performance trends .....	34
19	Environmental trend impact.....	35
20	Internal trends impact.....	36
21	Performance trend impact.....	36
22	Estimation of the urgency of issues.....	37
23	Prioritising urgent issues .....	37
24	Classification of issues as delayable .....	37
25	Classification of issues as postponable .....	38
26	Action taken on urgent issues .....	38
27	Continuous preoccupation with checking Urgent & Critical Issues.....	39

28 Periodic List of Key Strategic issues..... 39

29 Periodic update of issues list..... 39

30 Taking immediate attention..... 39

31 Objective recording..... 40

32 Change of some company objectives..... 40

33 Management behaviour..... 41

34 Adequacy of flexibility..... 42

35 Factors that determine time taken to make urgent and critical decisions.. 43

36 Factor analysis tabulations..... 44

## LIST OF ABBREVIATIONS

<b>SIM</b>	Strategic Issue Management
<b>NSE</b>	Nairobi Stock Exchange
<b>GDP</b>	Gross Domestic Product
<b>IMF</b>	International Monetary Fund
<b>CEO</b>	Chief Executive Officer

## ACKNOWLEDGEMENTS

Very Special thanks go to my Supervisor, Mr. Jackson Maalu, for his guidance, thorough and timely advice, relentless encouragement and ultimate understanding of my needs. I acknowledge his skills of the subject matter and his high sense of academic responsibilities ownership.

My commendations to my academic mentors in the Faculty of Commerce include both Dr. Ogutu, a Lecturer & MBA program Coordinator who also facilitated the execution of the proposal and Dr. Aosa, a Lecturer & Chairman of Business Administration Department, whose strategic seminar lectures greatly opened my academic views.

Very special thanks goes to my dear wife, Mrs Loise Wanjiru Nganga, for her understanding and support, who sacrificed the family car for this project and she opted to travel at night in the infamous "Matatus".

Special gratitude to my immediate family members for their support, encouragement and understanding throughout the MBA study Programme. My mentally challenged daughter, Lena Wanjiru Nganga for her helpless and playful gestures which propelled me to enter into this program "for her"; My Son Ronald Njenga, who though in form two challenged me to quickly finish the program; My son Mark Kaniu, who though in standard 6 never insisted on a family outing as before; My "Dad" Cyrus Njenga and "Mam" Tabitha Wanjiru both agreed to temporarily reschedule and minimise the upcountry travel and visits due to this MBA program.

May Almighty God bless you all.



## ABSTRACT

The current ever increasing environmental challenges facing organizational managers propelled the researcher to study and determine whether the real time strategic issue management practices are put in place to ensure that these changing challenges are given immediate attention. Kenyan organisations faced with unfamiliar and novel strategic and operational issues may survive if mechanisms are put in place to address these issues as they unfold.

The study's objectives were to establish the practices of real time strategic issues responses in Kenyan firms and to identify factors that determine these practices .

The sample was a census survey of all companies (# 54) quoted in Nairobi Stock Exchange. This census included companies classified in the Main Investment Market Segments (Agricultural, Commercial & Services, Finance & Investments, Industrial & Allied); Alternative Investment Market Segment; and the suspended equity listed companies. It did not therefore include companies exclusively classified in Fixed Income Securities Market Segment. The Researcher chose all listed companies because they represent broad spectrum of the sectors in Kenyan economy.

Structured Questionnaire instrument was used to collect the data . The data was analysed and presented using descriptive statistics and factor analysis. 57 percent of the sampled companies responded to the study.

The results of the study reveals that:

Significant number of companies studied practice real time SIM and that company structure is the most influencing factor in execution of real time SIM.

One of the study constrains was that 23 companies did not respond. This implies that it was difficult to determine the practices and factors in these companies which did not respond.

In conclusion, the study revealed that the companies studied practice real time SIM .

The real time SIM practices/ methods used varied among the companies studied with Issues Impact and ranking method being relatively more popular than the rest, followed by SWOT based on current information method, cross impact analysis method, and simple environmental impact analysis method . However no company studied used Euroquip method as described by Ansoff (1990).

The study also revealed that most of these companies studied tend to refer urgent decisions to the top management .

It was found out that the factor that influence real time SIM practices most is company structure followed by company size, profitability, competition, top management , infrastructure and technology in that order.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

In his article "The Dilemma of Globalisation Process", Granda (2000) asserts that the world in which we happen to live is not static at all, but is object of deep transformation. This implies that today's manager should be accorded an enabling environment to exercise entrepreneurial managerial skills towards meeting the global challenges.

McKenna (1997) gave the following real time message: Companies will learn about the technologies of real time in the only way they truly can - by adopting them and putting them to practical use. They will deploy them not to predict the future but to live virtually on top of changing patterns and trends affecting every sphere of their business environment, making rapid and continuous refinements in their way of doing business.

McKenna further asserts that when action and response are simultaneous, we are in "real time". Companies best equipped for 21<sup>st</sup> Century will consider investment in real time systems as essential to maintaining their competitive edge and meeting their customers' dynamics. Real time wrecks hierarchical organisations by making possible instant access to activities of all stripes - anywhere, anytime, all the time.

He also concluded that society and technology are in a continual dance, each moving and swaying in response to unanticipated moves by the other. Real time technology swiftly embeds itself in everything, everywhere, profoundly affecting the marketplace and every business participating in it. Since new consumers are never satisfied customers, managers hoping to serve them must work to eliminate time and space constraints on service. It is therefore necessary for the organizational managers to understand real time technological advancement and indeed put it in practical use. This may facilitate proper execution of real time strategic management.

According to Ansoff (1990) Strategic Management is a systematic approach to position and relate the firm to its environment in a way which will assure its continued success and make it secure from environmental surprises. In other words, they say, Strategic Management is a systematic approach for managing strategic change which consists of the following:

- i) Positioning of the firm through strategy and capability planning
- ii) Systematic management of resistance during strategic implementation
- iii) Real time strategic response through Issue Management

This strategic management evolved overtime. According to Ansoff & Mcdonnell (1990) there are 4 Broad Steps In Evolution of Strategic Management .

The First step was taken in 1950's when firms invented a systematic approach to deciding the business domain and its future direction. This was accomplished through the process of Strategic Planning. The analytical part of this approach is called Strategic Formulation

The second step was taken in 1970's , when it was discovered that the internal configuration (Capability) of the firm was to be transformed whenever a firm makes a discontinuous change in its strategy. The process of determining the capability need to support the new strategy has been named "Capability Planning"

The third step was taken in the late 1970's in response to the growing frequency of rapidly developing discontinuities in the environment which were unpredictable in their consequences, particularly social-political and technological discontinuities. To cope with these, the firms began to use a real -time strategic response technique called Issue Management .

The fourth and most recent step (1980's) evolved from the organizational resistance which was encountered by early efforts to implant strategic planning into the firm. The approach involves a comprehensive management of discontinuous change, which takes



account of psychological, sociological, political and systematic characteristics of complex organizations.

Ansoff (1987) distinguished Strategic management from Strategic Planning. He asserts that Strategic Planning is an analytical process which can be referred to as management by plans and it is focussed on making optimum strategic decisions, directed at business, economic and technological variables. On the other hand, strategic management is an organisational action process focused on producing strategic results: i.e. New markets, new products and/or new technologies; and it broadens the focus to include psychological, sociological and political variables. Strategic management consists of Formulating strategies, Designing the firms capability, and Managing implementation of strategies and capabilities.

Thus strategic planning is about choosing things to do, while strategic management is about choosing things to do and also about the people who will do them.

Strategic Management also incorporates management controls. According to Pearce (1997), there are two types of controls. These are Strategic controls and Operational controls. He therefore identified 4 types of strategic controls which includes: Premises control (Assumptions or Predictions), Implementation control, Strategic surveillance, and Special Alert control.

He observed that operational control are systems guide which monitor and evaluate progress in meeting short term objectives. While strategic controls focus on long term, operational control provide post action evaluation and control over short periods - usually within one year. To be effective, operational control systems must take 4 steps common to all post action controls:- Set standards of performance, measure actual performance, identify deviations from set standards, and initiate corrective action.

But to be timely and effective, the above controls may require good judgement. However, according to Rao (1998), good judgement is not enough to make good strategic decision; that a thorough analysis is required. Strategy is a matter of figuring

out what the arena is; only then does execution become an issue. Strategic questions help managers envision their "tennis court".

It may also be stated that one of the benefits to be derived from timely and effective strategic managerial controls is to add value to the organisational goals and to ensure survival. Pumpin (1993) stated that the highest organisational goal must be perceived to be maximising benefits for all stakeholders, which solves the problem of survival much more neatly. Any given entity continues in existence if this function is fulfilled. For this to happen, organisations must create flexibility within it. Flexibility implies quick adaptability to new directions, ability to learn and capacity to keep an open mind. In his paper about what really makes factories flexible, Upton (1996) found large differences in the flexibility of the plants. He concluded that much of the variance in plant flexibility (both range and mobility) could be explained by managerial action; the extent to which managers emphasised the importance of a particular kind of flexibility to operators - rather than by the structural characteristics of the plant. Plants whose managers had not made flexibility a clearly understood goal were much less flexible than those whose managers had. (Hayes, Pisano, & Upton 1996)

Therefore where environmental turbulence is discontinuous and surprising, organisational flexibility and realtime judgements/decisions are necessary so as to enhance effective analysis and diagnoses to novel strategic issues. According to Ansoff and McDonnell (1990), Strategic Issue Management (SIM) relies heavily on Strategic Surveillance through environmental scanning and special alert controls and also employs the technique of Objective Gap Analysis to ensure that operational controls are in place. This requires organisational capability which facilitates management Response to Surprising changes.

According to Ansoff (1990), if a firm fails to respond to a threat, the losses caused by it will continue to accumulate. But, sooner or later, most firms will take counter measures. The strategic response process is initiated once the rational trigger point is reached. They define Rational trigger point as the point at which cumulated data show, with a high degree of confidence, that decline of performance will not be reversed

and that special countermeasures are required. They recognised the following descriptive models in which firms respond to unfamiliar, momentous and fast changes: Deceptive management which occurs if the management reacts at the rational trigger point without further delay ; Reactive management which occurs if the management start of response is delayed past the rational trigger point ; and Planned Management which uses nonextrapolative forecasting to identify threats and opportunities posed by strategic discontinuities. This may permit "before- the -fact" anticipatory responses. They asserted that the start of response is delayed past the rational trigger point due to 4 contributing factors: systems delay, verification delay, political delay and unfamiliarity delay.

For a firm to enhance preparedness in handling surpriseful events, it needs to augment the timeliness in managerial response to surprising changes . Real time Strategic Issue Management (SIM) becomes necessary .

Heath (1986), observed that not until the mid - 1970's when Chase coined the term, was "Issues management" identified as a specialized and increasingly important corporate function. He observed that speaking as chairman of the Issues Management Association, Chase (1982) offered the following widely quoted definition: "issues management is the capacity to understand, mobilize, coordinate, and direct all strategic and policy planning functions, and all public affairs / public relations skills, toward achievement of one objective: Meaningful participation in creation of public policy that affects personal and institutional destiny.

According to Ansoff (1990), SIM is a systematic procedure for early identification and fast response to surprising changes both inside and outside an enterprise. SIM is "real time" , continuously preoccupied with strategic issues throughout the year. This implies continuous review, and updating of key strategic issue list impacting either positively or negatively on an enterprise. It involves continuous surveillance and identification for the "hot and urgent" issues/factors which need immediate attention. Unlike long range planning and strategic planning systems which are done in a discontinuous environment,



SIM should be chosen and practiced in both surprising and discontinuous environmental turbulence. Depending on the relative expected impact of an issue, firms which practice SIM are capable to identify and separate urgent strategic issues from the delayable and postponable issues quite early and put up mechanisms to solve such urgent issues.

Environment in Kenya has been changing due to its economy being faced with tremendous changes- e.g. advancing communication technological, dynamics of culture, multi-party era, withholding-releasing -withholding of IMF/World Bank funding, political power play, economic recession, dilapidation of infrastructure etc. This implies that companies may be better placed to deal with changing environmental demands if real time SIM is practiced.

## 1.2 Statement Of The Problem

Given the current uncertainty and surprising environmental turbulence in the global context, and more so in Kenya, there is a need to institutionalize flexibility and dynamism in planning and implementation of projects.

No longer can any enterprise rely on historical trend or projected trend without critically observing, analyzing and evaluating "surprise events and issues" which affect the known trend- be it external, internal or performance. With the onset of global market competition facilitated by e commerce, "things" are changing pretty fast - occasionally changes taking place in the opposite direction of the known trend or of the projected trend. Information is now transmitted worldwide within seconds. In a discontinuous and surprise environmental turbulence, management process should be flexible, dynamic and entrepreneurial so as to allow timely response to novel and unexpected strategic issues.

However, some empirical studies done in Developing Nations indicated that management process are characterized by bureaucratic tendencies; characterized by authoritative patterns of management. Aosa (1992) also concluded that strategic



planning models as practised in western world needed modification and adaptation before being applied in African Nations because the environmental factors (such as cultural, power play, political influence and interference etc) in Africa takes a different dimension and therefore need to be perceived differently.

Yet, (and with exceptions) many companies quoted in Nairobi Stock Exchange may be jointly owned by both local and overseas investors who may require consultation before making decisions.

The above issues implies that real time response may be compromised. This also discourages the entrepreneurial decision making process which is critical in real time management.

### **1.3 Research Questions**

To able to respond to surpriseful changes, managers need to be empowered at their local offices to deal with urgent issues which have major impact on their organisations. But does this happen? Are managers of Kenyan companies currently empowered to make decisions on real time? If they are, do they identify and prioritize issues which have major impact on their organisations? What could be the factors which influence real time response?

This study shall attempt to answer the above questions and therefore document the real time strategic issue management practices in Kenya.

#### 1.4 The Study Objective

- a) To establish the Practices of Real - Time Strategic Issues response in Kenyan firms
- b) To identify factors that determine the Practices of Real - Time Strategic Issues response in Kenyan firms

#### 1.5 Significance of the Study

**Managers-** The use of SIM promotes flexibility, dynamism, adaptability, novelty in meeting the surprise environmental changes affecting their domain. It promotes managers strategic thinking when addressing the issues affecting their customers .

**Academicians-** It shall be interesting to know whether managers out there distinguish between Strategic Management from Strategic Issue Management or they treat the two as one and the same thing. This might propel the lecturers to redesign their teaching approach - to emphasis more on real time management techniques. Currently our universities more or less emphasize on traditional strategic management . Although this forms a good conceptual framework, it leaves MBA students not fully prepared in issues of real time strategic response which is currently critical in ever increasing surprises experienced in Kenyan Environment.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This section presents the literature review on the concepts of Strategy and real time Strategic Issue Management (SIM). The literature available based on Kenyan context is scanty and limited in scope. Such literature includes studies done by MBA students of the Nairobi University, government publications such as Annual Economic Surveys, Policy Papers, and Economic Review by Central Bank of Kenya etc.

However the Western and Japanese literature is useful in Kenya, and more so to this study because globalisation, e-commerce, email, internet etc all implies that what happens in these countries may be applicable to the Kenyan environment

### 2.2 Concept of Strategy

Newman (1989) asserted that a strategy focuses on basic long-term direction, is primarily qualitative, provides guidance for preparation of short term plans, is realistic and action oriented and is understood throughout the top and middle levels of the organization. They indicated that the strategy of a company should have the following parts: Domain sought, differential advantages in serving the domain, strategic thrusts necessary including their approximate timing, and expectation of target results.

According to Ansoff and McDonnell (1990), strategy aligns the organisation with its external environment. Strategy seeks to bridge the gap between current position of the organisations to its future intended direction.

Porter (1985) asserts that strategy means what a company does, how it actually positions itself commercially and conducts competitive battle.

Bowman (1998) observed that strategy can be viewed in three levels for large organizations with several business. These levels are corporate strategy (which defines the envelope vision of the company, mission statement, objectives and corporate culture); Strategic business unit (SBU) strategy (which defines the competitive arena and SBU's capability); and functional strategy (which addresses the operating plans of the company).

Pearce (1991) asserts that in smaller organizations, the three levels are compressed into the corporate strategy. Ansoff (1990) however noted that strategy is important in so far as it assists companies to cope with changes arising from ever increasing environmental turbulence.

Crainer (1995) observed that traditional hierarchies are ill equipped to respond to speedy decisions making process demanded by the challenging environment.

Katzenbach and Santamaria (1999) noted that many organizations have therefore resulted in restructuring to enhance flexibility, employee participation and customer orientation.

Crainer described the characteristics of the new organization as being flexible, non-hierarchical, participatory, creative, entrepreneurial, emphasize on team work, driven by corporate goals and make use of the powerful tool of information technology to sustain its competitive advantage.

Burnes (1998) observed that the unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and to manage strategic change successfully are key competitive strengths for a sustainable competitive advantage.

Aosa (1988) defined strategy as solving a strategic problem, which is, a mismatch between the internal characteristics of an organization and its external environment.



Johnson (1999), defined strategy as the direction and scope of an organization over the long term: which achieves advantages for the organization through its configuration of resources within a changing environment, to meet the needs of market and to fulfill shareholders expectation. They also noted that strategy development of organisation is better described and understood typically in terms of continuity or "momentum" of strategy; that punctuated equilibrium of strategy development entails a tendency of strategies to develop incrementally with periodic transformational change - with periods of relative continuity, periods of incremental changes, periods of flux and period of transformation.

This punctuated equilibrium may imply that the intended strategy (desired strategic direction deliberately formulated and planned by managers) is far from the realised strategy (strategy actually being followed in practice). Real time responses to changing environment and managerial perception may be one of the reasons to explain this. Johnson asserts that cultural behaviour, political process and power play may result in imposing some strategic dimensions and also making some of the intended strategy fail to be realised

However, Mitzberg and Quinn (1991), observed that strategy itself is really about continuity not change. But they also noted that to manage strategy is frequently to manage change - to recognize when a shift of a strategic nature is possible, desirable, necessary and then to act.

There is no doubt that through the studies done in Kenya, though a few in number and limited in macro coverage, strategic management practices are evident in some Kenya's organizations. Example include Aosa (1992), Karemu (1993), Kombo (1993 ), Kang'oro (1998).

### 2.3 Strategic Issue Management (SIM):

Pearce (1997) define strategic response as the set of decision and action that results in the formulation and implementation of plans designed to achieve a firm's objectives. It is thus a reaction to what is happening in the environment of the organization.

Further, Henry (1995) observed that discontinuous environmental change requires discontinuous upside -down thinking. This implies empowering employees in decision making and making organizational structure flatter and flexible. Heath (1986), observed that Sophisticated new technological options and changing demographics encourage forward - thinking organisations to pay attention as never before to the interests and needs of specified audiences (stakeholders).

Heath (1986) mentioned that the proponents of strategic issues management assert that it is unique in the following ways: It is proactive rather than reactive, it allows companies to intersect problems at an early stage, and it requires application of substantial empirical and qualitative analysis to solve corporate planning problems.

Heath conclude that strategic issues management is also a breakthrough because its systematic corporate matrix function demands a synergism that reaches beyond traditional department boundaries for establishing a platform of fact, value, and policy in corporate performance while communicating with targeted publics (including the company's senior manager).

Heath continues to argue that not everyone is as optimistic or enthusiastic about issue management. Responding to the Jones and Chase augments, Ehling and Hesse (1983) doubt that it is as innovative or extraordinary as its proponents claim. This was based on their own reasoning in a survey of Public Relations Society of America (PRSA) members. They argue that issue management calls for nothing beyond the effective use of survey and other issues - monitoring strategies typically employed today.

As Ansoff and McDonnell (1990) asserts, environmental changes have become more complex and novel. As future becomes more complex, novel, and less flexible, systems become correspondingly more sophisticated. Where the environment is unpredictable and full of surprises, management by flexible and rapid response is needed. Such management requires creativity, novelty, flexible and entrepreneurial approach. This requires managers to practice Strategic Issue Management, contingency planning, weak signal issue management and surprise management. The planning of positioning responses is an organization wide process lasting several months and involving many levels of management. It is too slow and cumbersome to cope with unanticipated "mid year surprises". With increased environment surprises, firms have begun to use real - time systems called strategic issue management (SIM). They also noted that SIM is simple to install and manage and does not interfere with the existing structure and systems.

Therefore according to Ansoff (1990), SIM offers the following benefits: timely preparedness and anticipation of new developments; promotes quick internal reaction time; response to problems which may arise from any source- economic, political, social, technological; a lightweight system, not affected by organisational size and complexity; compatibility with most organisational structures and systems.

#### 2.4 Practices for real time SIM

Real time strategic issue responses are necessary to facilitate the firms preparedness in handling the impending issues which may have profound impact on the firm. Real time implies solving an issue as it comes (say within the same month) without any delay.

According to Ansoff (1990), four different SIM practices can be identified which have been referred to as SIM analytical techniques. (These techniques are more or less graduated modification of one from the other )

The first one is the use of a simple environmental impact analysis which analyzes one event/ trend at a time and does not concern itself with their interdependence.

Threats/Opportunities and future Strengths /Weaknesses can be identified from the continuous surveillance of three sources (external environment trends, internal capability trends, and performance trends). The continuous surveillance ensures identification of sudden, fast and potentially surprising changes.

The second technique is a more complex procedure called cross-impact analysis which can be added in order to estimate the likelihood of simultaneous occurrence of several events/ trends. This analysis produces clusters of events/trends which are likely to impact together on the firm and facilitates identification and preparedness of probable future disaster scenarios or opportunity scenarios.

These two approaches may be complemented by the SWOT matrix. SWOT identifies the threats and opportunities posed by each issue and matches them to the historical strengths and weaknesses of the firm. Opportunities which can be captured using the firm's relevant strengths are given high priorities; opportunities which require capabilities which are weak in the firm are not pursued; Threats which can be avoided using the firm's strengths are vigorously avoided; Capabilities which are too weak for response to serious threats are built up and converted into strengths. The underlying assumption in the SWOT analysis is that the historical strengths and weakness will remain there in future.

The third technique is more elaborate which is referred to as the issue ranking approach. It involves a continuous environmental surveillance through trend analyses (external environment, internal capabilities and internal performance); SWOT identification; Impact and urgency of the trends are estimated and presented as key strategic issues to top management at frequent meetings and whenever a new major threat or opportunity is perceived. Then together with planning staff, top management sorts issues into one of 4 categories:

- Highly urgent issues of far-reaching effect which require immediate attention. (ie. Urgent Issues)



- Moderately urgent issues of far-reaching effect which can be resolved during the next planning cycle. (ie. Postponable Issues)
- Non-urgent issues of far-reaching effect which require continuous monitoring. (ie. Delayable Issues)
- Issues that are "false alarms" and can be dropped from further consideration.(ie. Minor Issues)

The urgent issues are assigned for study and resolution, either to existing organisation units, or to special task forces. The resolution of issues is monitored by top management both for strategic and tactical implications. The list of the issues and their priorities is kept up-to-date through periodic review by the top management.

The fourth technique which was first developed and used by a French consulting firm named Euroquip may be referred to as "adding the Euroquip Matrix" to the issue ranking approach above. In this case, the impact and urgency of issues are done after the ranking approach above. In this case, the impact and urgency of issues are done after the synergy analysis. Both positive and or negative synergy evaluation is done for the issue's impact and issue's urgency. A positive synergy occurs when strengths and or weakness are applicable to responding to threats and opportunities. A negative synergy occurs when neither strengths nor weakness help deal with threats and opportunities.

## 2.5 SIM and Organisational Factors

According to Ansoff (1990), there are factors that may influence SIM practices. These factors include top management's response behaviour towards diagnosing perceived trends. The urgency of real time countermeasures to be undertaken to arrest perceived losses or to exploit a perceived opportunity may be determined by the management response at /or before/ or after the rational trigger point.

Ansoff also asserts that the use of Weak signals may determine effectiveness of the SIM responses.

Other factors include Company size, Organisation structure, ownership and control, Industry competition, culture, Technology, Innovation, Changing Environment, performance results, Infrastructure etc.

It can however be noted that (as have been indicated above), real time strategic issue management requires flexibility and managers empowerment to be able to make on line decisions.

But Yavas (1985) argued that African companies were characterized by authoritative patterns of management. Decision making process was centralised to a small group of top managers whose decision were communicated throughout the hierarchy in form of strict orders.

Imoisili and Nambudiri (1978) concurred by observing that African managers tended to centralize decision-making and use little delegation and committees.

Aosa (1992) findings concluded that strategic planning models as practised in western world needed modification and adaptation before being applied in African Nations.

Ansoff (1990), asserted that External environmental factors may have major impact on corporate performance. In Kenya's context, there are external developments which may affect both strategic and operational issues. Economic Review (November 2000) indicated that Kenya's GDP for the previous 8 months declined to 0.4% compared to 1.4% of the same period in 1999. The environmental reasons for slowdown was given as prolonged drought, poor infrastructure, insecurity, insufficient delivery of public service (corruption sic), mismanagement of farmers institutions etc.

Management needs to institutionalise strategic responses so as to enhance preparedness in effectively addressing these external environmental factors.

It can however be stated that there are empirical evidence (though limited in scope) on the existence on strategic responses in Kenyan firms. In his study on investigation on

management of Strategic Change on companies listed in Nairobi Stock Exchange, Gekonge (1999) found out that significant proportion of Kenya firms do trend analysis to predict the future.

In a study of the strategic Responses by Kenyan companies following liberalisation, Abdullahi (2000) found that firms in Kenya are in favour of the need to respond to the changes in the environment. These firms made moderate adjustments in their strategic variables in order to cope up with the increased competition.

Njau (2000), in his study on strategic response by firms facing changes in competitive condition: The case of East African Breweries Ltd, he found that EABL has been remarkable in responding to the competitive threat occasioned by liberalization.

Garashie (1999) in a study on Determination of factors influencing projects delays in water progress in Kenya found out that quality project management, operating environment, motivation of workers, infrastructure, inadequate resources were determinant factors influencing water project delays in Kenya.

## **2.6 Summary and Conclusions of Literature Review**

In conclusion, the above literature review reveals that the concept of strategy is multidimensional and environmental dependent. The environment itself is dynamic and discontinuous and therefore real time strategic management is necessary to enhance organizational preparedness in meeting novel turbulent challenges. For real time SIM to be effective, organization need to empower its managers in making critical decisions and a strategically thinking organizations. However, it has been noted that there are both environmental and internal issues, which may hinder effective execution of real time SIM.

The above findings relate to this study in that the questionnaire instrument used was, to some extent based on these findings.

## **CHAPTER THREE : RESEARCH METHODOLOGY**

### **3.1 Introduction**

According to Frankfort (1996), one objective of research is to contribute to the development of a systematic verifiable knowledge. This involves applications of systematic procedures in order to discover answers to questions which concern issues and activities in the natural world.

### **3.2 Research Design**

This study was based on exploratory survey which is a research methodology that is used to study the general conditions of people and organizations. It investigates the behavior and opinions of people usually by questioning them .

There are many types of research designs which include experimental, survey, case study , archival analysis etc. For the purpose of this study, the Research Design used was Cross Sectional Survey Method. In cross sectional surveys, different factors/ variables which are vital in research are identified at a particular point in time (specified time- across the board). These factors and variables should be good representative of the population heterogeneity .The factors and variables are then put in a format (mostly a questionnaire instrument) and subjected to respondents to give their responses

### **3.3 Population**

The population consisted of all Kenyan companies quoted in Nairobi Stock Exchange. At the time of doing this study (January 2001), there were 54 companies whose shares are quoted in Nairobi stock exchange . Out of these 5 equity listed companies were suspended from trading for being unable to meet the revised minimum requirement to be listed in any segment.



The population of interest was composed of all 54 companies since it could be interesting to know whether there could be differences in real time SIM response between the listed and suspended companies.

These companies cover the following Main Investment Market Segments (MIMS): Agricultural (no.4), commercial and services (no.8), Finance & Investments (no.11), Industrial and allied (no.16), Alternative Investment Market Segments (AIMS) (no.10). In addition, there are those under suspension- equity (no.5).

(NB: It does not include Fixed Income Securities Market Segment- FISMS, whose commercial papers are traded therein but ordinary shares are not listed).

The justification for selecting these companies includes:

- For a company to be listed in Nairobi Stock Exchange, it must be reasonably sizeable in terms of turnover and employment. These are significant indicants of economic contributions of a country.
- These companies represent a wider scope of reference in terms of economic sectoral presentation.
- These companies are subject to public scrutiny (Annual Financial Statements are not confidential) and therefore their data may be considered reliable.
- Therefore if SIM and sound management are practiced in these companies, the strategic success may significantly contribute to the stakeholders, which includes the Kenyan Government through additional tax revenues.

### 3.4 Sampling

The study was a census survey of all companies (no.54) quoted and suspended in Nairobi Stock Exchange. This was because the population was not significantly large and therefore no much advantage was expected if a smaller sample was extracted.

### 3.5 Data Description & Collection

The study used both primary and secondary data. The primary data was collected using structured questionnaire (see appendix A). This is planned in advance and follows a given format. It has the advantage of simplicity and consistency. The study also used probing questions, when seeking clarification of answers given. The structured questionnaire was developed in line with objectives of the study and based on the literature review. The questionnaire had 36 questions classified into two parts: Part A containing general questions about the company and factors influencing real time strategic responses; Part B containing questions on real time strategic issue responses.

The questionnaire was dropped and picked by the Researcher or his three Assistants all of whom were university graduates and were appropriately trained by the researcher to handle all relevant queries, clarifications etc from the respondents.

Necessary follow-up through telephone, email, fax and physical contacts was done before picking up the filled questionnaire. The follow-up was necessary to ensure that filled questionnaires were received in time; in line assistance to the respondents on filling of questionnaire so as to increase data reliability. The questionnaire were addressed to the Chief Executive.

### 3.6 Data Compilation and Analysis

The collected data was edited, checked for accuracy, consistency and completeness and then processed by transforming responses into codes that are amenable to analysis.

The analysis used descriptive statistics where frequency distributions, percentages, and other statistical measures were analysed. Churchill (1991) observed that descriptive statistics assumes prior knowledge about the variables under study. The SIM practices and factors were analysed using descriptive statistics. The descriptive statistics was therefore used to establish the occurrence of responses among factors and responses.

Influencing Factors were also subjected to Factor analysis.

Cross tabulation was done but due to the fact that selected factors were having frequencies of less than 5 being above 60%, the Chi-Square test was not therefore found appropriate.

The analysing tool used was statistical package for social sciences (SPSS 6.0)

### 3.7 Scope of the Study

The Scope of the study shall focus on Strategic Issue Management (SIM) as practiced by Kenyan companies quoted in Nairobi Stock Exchange. This includes a study of the nature of real time strategic response and factors affecting real time response in the current turbulent period when Kenyan economy is faced with tremendous changes e.g. multi-party era, withholding of IMF/World Bank funding, a lot of political power play, economic recession, dilapidation of infrastructure etc.

## CHAPTER FOUR: RESEARCH FINDINGS

### 4.1 Introduction

A summary of the data in the study was presented in form of tables, percentages, frequency distributions and other descriptive statistics. Then factor analysis was performed to identify the most influential factor in execution of real time strategic responses.

### 4.2 Business Profile

#### 4.2.1. Sector Classifications of the Companies Studied

Classification of companies studied into economic sectors was important so as to ensure that the responses fairly represented the key economic segments.

*Table 1: Sector Classifications of the Companies Studied*

	Frequency	Percentage
Agriculture	4	12.9
Industrial/Manufacturing	11	35.5
Finance & Investment	9	29.0
Commercial & Services	7	22.6
Total	31	100.0

Out of a population of 54 companies, 32 responded to the questionnaire. Out of these responses, one questionnaire was rejected for incompleteness and inconsistency. 31 questionnaires were useable. This represents 57% of the population.

As shown in table 1 above, there received responses were distributed as follows: 12.9% agriculture, 35.5% Industrial and Allied, 29.9% Finance and Investments, and 22.6% Commercial and Services.



For the purposes of this study, companies grouped as alternative investment Market segment by Nairobi Stock exchange were reclassified into the above economic sectoral categories so as to be meaningful.

Out of the companies suspended from NSE, two responded (and they are included in commercial and services sector above).

It can be observed that the responses received fairly represented the economic sector classification in NSE.

#### 4.2.2 Size:

It was important to find out the size of companies studied because size may as well affect the real time decision execution. The size of the companies studied were classified according to the turnover in year 2000. Table 2 indicates that 54.8% of companies studied were having turnover ranging from Kenya Shillings 1 billion to 100 billion, while 32.4% had turnover of less than Ksh. 1 billion. Those which had turnover exceeding Ksh. 100 billion were 12.9%

Table 2: Size of companies studied

Turnover in Ksh.	Frequency	Percentage
< 1billion	10	32.3%
>1billion to 100billion	17	54.8%
>100billion	4	12.9%
Total	31	100.0%

This implies that majority number of companies studied ( 77%) have turnover exceeding Kenya Shillings 1 billion and therefore their performance may have significant economic implication in Kenya. It is therefore worth studying these firm's real time Strategic response.

#### 4.2.3 Ownership

Ownership, especially foreign may affect the urgency of decision making especially when such decisions are referred to controlling shareholders. The study revealed that

Company's controlling shares were owned as follows: foreigners 54.8%, Kenya citizens 32.3%, while 12.9% were owned by the Kenyan Government (See table 3). This implies that majority of the companies studied (87.1%) are privately controlled and therefore may be able to execute real time decisions without direct government interference.

*Table 3: The Company's controlling share is Owned by:*

	frequency	Percentage
a) Kenyan citizen	10	32.3%
b) Foreigner	17	54.8%
c) Government	4	12.9%
d) Others		0.0%
Total	31	100.0%

However, foreign ownership continue to control 54.8% of the companies quoted in NSE. This may imply that long term strategic direction may be decided by foreigners. But as can be seen from section 4.3 below, real time strategic issue management is practiced in foreign companies studied implying that foreign ownership does not significantly prevent these companies from executing real time strategic management.

#### 4.2.4 Nationality of Chief Executive Officer (CEO)

*Table 4: The Nationality of the Chief Executive Officer is:-*

	frequency	%
a) Kenyan	13	41.9%
b) Foreigner	18	58.1%
Total	31	100.0%

Managerial orientation in terms of exposure and training may also affect managerial attitudes towards making real time SIM practices. It was therefore important to find out the nationality of CEO. Table 4 indicates that 58.1% of studied have foreign CEO's. As expected, this finding is consistent with foreign ownership control (54.8%) per table 3 above. Companies with Kenya CEO's are 41.9%.

This may imply that for the companies studied, about half of them may have foreign managerial influences .

#### 4.2.5 Stability of Production Process ( Technology)

Dynamics of the production processes may also influence the urgency of, decisions affecting organizations. Therefore it was found necessary to find out the relative production process responses. As shown in table 5, the companies which classify their production process as being relatively stable and capital intensive were 41.9%. Further scrutiny of the data indicates that most of these companies were in Industrial and commercial sectors.

The companies which classified their technology as fast changing and capital intensive were 32.3%. Most of these companies were banks in Finance and investment sector of the economy.

However companies in relatively stable and Labour intensive technology were 25.8 % . As expected, all companies in Agricultural sector indicated that they belong to this category.

Table 5 : Classification for the mode of production process (Technology)

	Frequency	Percentage
a) Fast changing and capital intensive	10	32.3%
b) Relatively stable and capital intensive	13	41.9%
c) Relatively stable and Labour intensive	8	25.8%
Total	31	100.0%

It can be inferred that for those companies in fast changing and capital intensive technology (32.3%), they should institutionalize measures to ensure that their production process is continuously checked, and where practical, balanced to the industry's state of art. Failure to do so may result in technological obsolescence , survival threat and ultimate failure to respond to real time issues.

Due to globalization of technological advancement Companies in relatively stable technology (67.7%), should also continue exploring ways and means of “staying ahead” of the existing technology so as to facilitate faster adaptability and effectively augments real time response time .

#### 4.2.6 Culture

Employee beliefs, norms and values may also affect real time response . The respondents were therefore requested to assess the employee’s resistance to urgent and critical decisions. The respondents who indicated that their employees resist change initially when executing urgent decisions were 58.1%. However 41.9% of them reported that urgent decisions are executed without any delay. (See table 6)

*Table 6 : Employee's Culture as a factor determining acceptability of urgent directives/decisions*

	Frequency	Percentage
Accepts Change quickly	13	41.9%
Resist change at least for some time	18	58.1%
Always Reject change	0	
Totals	31	100.0%

The finding is consistent with Gekonge (1999) finding that 34.4% of companies studied did not experience any resistance during strategic change process.

The implication is that resistance to change has declined; that there have been some improvement in accepting change 34.4% in 1999 to 41.9% in year 2000.

However, some respondents reported that resistance is pronounced by the older experienced staff while young professionals accept change quickly.



#### 4.2.7 Infrastructure

It was also important to find out whether physical transportation affect real time responses. It was found out that physical transportation (roads, railways etc) affect companies most (41.9%) when making urgent and critical decisions. The other ranked infrastructural factors are electronic communication systems, Electricity , Legal systems & security in that order.(See table 6)

Table 7 : Importance of infrastructure in making urgent and critical decisions

	total	%	Most imp	%	2nd Imp	%	3rd imp	%	4th Imp	%
Physical transportation	31	100.0%	13	41.9%	5	16.1%	11	35.5%	2	6.5%
Electricity	31	100.0%	8	25.8%	11	35.5%	10	32.3%	2	6.5%
Communication Systems	31	100.0%	7	22.6%	15	48.4%	9	29.0%	0	0.0%
Legal & security	10	100.0%	4	40.0%	0	0.0%	1	10.0%	5	50.0%

This appear to be the reality due to the poor status of Kenyan roads and the spate of accidents in our road and railway systems. Managers in charge of organizational real time strategic issue responses should therefore give special attention to the existing physical transportation system when making real time decisions.

#### 4.2.8 Environmental Turbulence Perception

The swiftness in environmental changes may also affect the real time response. The respondents were requested to assess the environmental perception in their firms. As can be observed from table 8 , Most companies in Kenya ( 71%) perceive the environmental turbulence as continuously changing – (level 3 & 4 of changing and discontinuous turbulent level) as stipulated by Ansoff (1990); while 12.9% saw the

environmental level as surprising (level 5 of environmental turbulence) ; and 16.1% saw it as relatively stable (level 1 to 2).

Table 8: External environment Perception within the last 5 years:

	Frequency	Percentage
Relatively Stable	5	16.1%
Continuously Changing and therefore making us change annual operating plans	22	71.0%
Always surprising us with new issues	4	12.9%
Others		
Total	31	100.0%

This implies that majority of Kenyan firms studied (95%) need to critically and continuously scan and reevaluate the environmental domain if dynamism in real time issue responses are to be executed.

#### 4.2.9 Performance Measures:

Since performance measure forms a strong indication of the firms direction, it may as well affect real time SIM responses. Respondents were requested to give an indication of the importance of some selected performance measures. In year 2000, 77.4% of companies studied considered profitability as their most important performance measure, and therefore most critical factor when making urgent and critical decisions. This was followed by liquidity, market share and innovation in that order. (See table 9).

Table 9: important performance Measure

	total	%	Most imp	%	2nd Imp.	%	3rd imp.	%	4th Imp.	%
a) Profitability	31	100.0%	24	77.4%	7	22.6%		0.0%		0.0%
b) Market Share	31	100.0%	3	9.7%	5	16.1%	15	48.4%	8	25.8%
c) Liquidity	31	100.0%	3	9.7%	15	48.4%	9	29.0%	4	12.9%
d) Innovation	31	100.0%	0	0.0%	3	9.7%	7	22.6%	21	67.7%

The finding is consistent with Gekonge (1999) finding that companies have not changed their profitability objective for the last 10 or so years.

### 4.3 SIM Practices

For the purpose of this study, the term SIM practices, techniques and methods were used interchangeably to mean real time strategic issues practices used. Therefore, the respondents were asked to indicate the Methods/techniques/practice used to analyse Strategic Issues and their responses were as per table 10 . Those who use simple SWOT analyses were 26.7%; simple environmental impact method (13.3%); Cross impact analysis method (16.7%) ; Issue Impact and ranking method (40%) ; while 6.3% did not practice SIM . However none used Euroquip matrix method .

Table 10: SIM practices

	frequency	Percentage
SWOT based on current information only	8	26.7%
Simple Environmental impact analysis method based on SWOT	4	13.3%
Cross impact analysis method based on SWOT	5	16.7%
Issue impact and ranking method based on SWOT	12	40.0%
Euroquip matrix method based on SWOT	0	0.0%
Others - not done at all	2	6.3%
Total	31	100.0%

Therefore, this study reveals that majority (98.6%) of Kenyan firms studied practice real time Strategic Issue Management though from different perspectives. No company studied was able to demonstrate the use of Euroquip matrix as prescribed by Ansoff (1990). This implies that the companies studied may be limited in discovering that certain capabilities which had been previously regarded as weaknesses will become strengths in the perspective of new threats/opportunities. Thus managers should be encouraged to use Euroquip matrix which may help to discover real time positive synergy (where both strengths and weaknesses may turn out to be useful for pursuing future opportunities, or minimizing the impact of the threats); and also to discover negative synergy (in which case neither strengths nor weaknesses help deal with threats/opportunities).

However, as Ansoff (1990) observed, none of the prescribed methodology is better than the other. What counts is whether the methodology applied is able to identify real time strategic issues in time and with a better forecast.

Table 11 : Sector Distribution & SIM Practices

Sector	SIM Techniques							
	Total	Total %	Historical	Simple Env. Imp.	Cross Impact	Ranking	Euro-quip	None
Agriculture	4	100.0%	100.0%				0	
Industrial	11	100.0%	36.4%	18.2%	27.3%	18.2%		
Fin & Inv	9	100.0%		22.2%		66.7%		11.1%
Commercial	7	100.0%			28.6%	57.1%		14.3%
Total	31	100.0%	25.8%	12.9%	16.1%	38.7%	0	6.5%

Key: Historical: SWOT based on current information only practice  
 Simple Env. Imp: Simple Environmental impact analysis method based on SWOT  
 Cross Impact: Cross impact analysis method based on SWOT practice  
 Ranking: Issue impact and ranking method based on SWOT practice  
 Euroquip: Euroquip matrix method based on SWOT practice



It can be observed from table 11 above that SWOT based on current information technique was used by agricultural sector (100%) and Industrial sector (36.4%).

Simple environmental impact analysis technique was used by 18.2% of the industrial sector and 22.2% of the financial sector.

Cross impact analysis technique was used by 27.3% of the industrial sector and 28.6% of the commercial sector.

The impact and ranking technique was used by Financial sector (66.7%), commercial sector (57.1%), and Industrial 18.2%

Table 12 : Size & SIM Practices

Size	SIM Practice							
	Total	Total %	Historical	Simple Env. Imp.	Cross Impact	Ranking	Euro Quip	None
<1billion	10	100.0%	30.0%	10.0%	10.0%	50.0%	0	0.0%
1b+1 to 100b	17	100.0%	29.4%	11.8%	17.6%	29.4%		11.8%
>100billion	4	100.0%	0.0%	25.0%	25.0%	50.0%		0.0%
Total	31	100.0%	25.8%	12.9%	16.1%	38.7%	0	6.5%

In terms of size SWOT based on current information technique was used by 30% of companies with less than Kenya Shillings one billion turnover, and 29.4% of those companies with a turnover of more than 1 billion but less than 100 billion.

Simple environmental impact analysis technique was used by 25% of companies with a turnover of more than 100 billion

Cross impact analysis technique was used by 25% of companies with a turnover of more than 100 billion

The issue ranking method was used by 50% of companies with a turnover of less than 1 billion, 29.4% of those companies with a turnover of more than 1 billion but less than 100 billion, and 50% of companies with a turnover of more than 100 billion

Table 13 : Ownership & SIM Practices

OWNERSHIP	SIM Practice							
	Total	Total %	Historical	Simple Imp	Cross Imp	Ranking	Euro Quip	None
Kenyan	10	100.0%	30.0%	10.0%	20.0%	30.0%	0	10.0%
Foreign	17	100.0%	29.4%	11.8%	11.8%	41.2%		5.9%
Government	4	100.0%	0.0%	25.0%	25.0%	50.0%		0.0%
Total	31	100.0%	25.8%	12.9%	16.1%	38.7%	0	6.5%

In terms of ownership, companies whose controlling share is owned by Kenyans use SWOT based on current information (30%), Impact and ranking method (30%), cross impact method (20%)

Companies whose controlling share is owned by Foreigners use SWOT based on current information (29%), Impact and ranking method (41%), cross impact method (11%)

Companies whose controlling share is owned by Government use Impact and ranking method (50%), cross impact method (25%)

Table 14 : CEO Nationality & SIM Practices

CEO Nationality	SIM Practices							
	Total #	Total %	Historical	Simple Imp	Cross Imp	Ranking	Euro Quip	None
Kenyan	13	100.0%	30.8%	0.0%	15.4%	46.2%	0	7.7%
Foreign	18	100.0%	22.2%	22.2%	16.7%	33.3%		5.6%
Total	31	100.0%	25.8%	12.9%	16.1%	38.7%	0	6.5%

In terms of Nationality of CEO, companies whose CEO is Kenyan use SWOT based on current information (30.8%), Impact and ranking method (46.2%), cross impact method (15.4%).

Companies whose CEO is Foreign use SWOT based on current information (22.2%), Simple environmental impact method (22.2%), Impact and ranking method (33.3%), cross impact method (16.1%)

It is also surprising to note that companies whose CEO are Kenyans appear to be relatively keen in issue ranking method (46.2%) when compared with companies whose CEO are foreign (33.3%)

From the above cross tabulation tables and analysis, it can be summarized by observing that real time SIM practices are widely practiced by companies studied with issue ranking method being relatively more in use (38.7%), followed by the SWOT analysis based on historical information (25.8%). This implies that significant number of companies studied are relatively aware of environmental turbulence through the scanning process and are better prepared to handle real time strategic issues as they unfold.

#### 4.3.1 Urgent and Critical Decisions Makers

The study result reveals that most Kenyan firms studied (64.5%) tend to refer urgent and critical decisions to the Top management. Only 22.6% delegate to middle management while 12.9% refer such decisions to task forces, (see table 15).

Table 15 : Prevailing Mode Of Making Urgent And Critical Decisions

	frequency	Percentage
Tendency to centralise decisions to top managers	20	64.5%
Tendency to delegate decisions to lower managers	7	22.6%
Tendency to use Interdepartmental Committees/ Task Forces	4	12.9%
Total	31	100.0%

This finding is consistent with the finding of Caeldries (1998), et, al, that top managers have their highest degree of involvement in the key decision- making phases of the strategic planning process and directing the process of managing strategic change to achieve organizational strategic intentions.

#### 4.3.2 Strategic Issues Identification:

It can be observed that over 87.1 % of Kenyan companies studied do environmental trend analysis (see table 16) ; 93.5% perform internal capacity evaluation (see table 17); and that 100% of all companies study performance trends (see table 18).

*Table 16 : Study of External Environmental trends & issues*

	frequency	Percentage
Yes	27	87.1%
No	4	12.9%
Total	31	100.0%

*Table 17 : Study of Internal Business and capability trends & issues*

	frequency	Percentage
Yes	29	93.5%
No	2	6.5%
Total	31	100.0%

*Table 18 : Study of Performance trends & issues*

	frequency	Percentage
Yes	31	100.0%
No	0	0.0%
Total	31	100.0%

This implies that majority of Kenyan firms studied perform environmental scanning, do internal business evaluation and performance appraisal.



According to Ansoff (1990) strategic issue identification is an important starting point in the process of real time strategic issue management. It can therefore be inferred that most of Kenyan companies do identify real time strategic issues facing them.

### 4.3.3 Estimating Impact

The respondents were asked to give an indication of the estimated impact on the organization arising from their trend analysis. As per table 19, among the external factors that had major impact includes : Interest rates (economic) 80.6% , followed by Infrastructure , Industry Competition , Political , technology and Social factors in that order. This is not surprising because the high interest rates charged by banks in the last few years could have been a major factor which made them perform poorly . The second most important environmental factor was Infrastructure. The poor state of road and railway networks characterized by reported accidents cannot be overemphasized.

Table 19: External Environment trend which had major impact In Year 2000

	Total	%	Major Impact	%	Minor Impact	%	No Impact	%
Political	31	100.0%	10	32.3%	18	58.1%	3	9.7%
Economic	31	100.0%	25	80.6%	6	19.4%	0	0.0%
Ind. competition	31	100.0%	18	58.1%	8	25.8%	5	16.1%
social	31	100.0%	3	9.7%	13	41.9%	15	48.4%
Technology	31	100.0%	2	6.5%	10	32.3%	19	61.3%
Infrastructure	31	100.0%	24	77.4%	4	12.9%	3	9.7%
Others								

Table 20 : Internal Business trends that had major impact In Year 2000

	Total	%	Major Impact	%	Minor Impact	%	No Impact	%
Time taken to make a decision	31	100.0%	8	25.8%	14	45.2%	9	29.0%
Top Managers	31	100.0%	15	48.4%	6	19.4%	10	32.3%
Restructuring & Reengineering	31	100.0%	20	64.5%	7	22.6%	4	12.9%
Innovation	31	100.0%	8	25.8%	12	38.7%	11	35.5%
Training	31	100.0%	6	19.4%	12	38.7%	13	41.9%

Table 20 indicates that among the internal business factors that had major impact on Kenyan Companies were: Restructuring and Reengineering (64.5%) had the highest impact, followed by Top management , time taken to make a decision, innovation and training in that order

Table 21 : Performance trends that had major impact In Year 2000

	Total	%	Major Impact	%	Minor Impact	%	No Impact	%
Profitability	31	100.0%	27	87.1%	3	9.7%	1	3.2%
Market Share	31	100.0%	20	64.5%	8	25.8%	3	9.7%
Productivity	31	100.0%	7	22.6%	14	45.2%	10	32.3%
Operating Costs	31	100.0%	23	74.2%	7	22.6%	1	3.2%
Customer Satisfaction	31	100.0%	14	45.2%	11	35.5%	6	19.4%
Liquidity	31	100.0%	20	64.5%	7	22.6%	4	12.9%
Others - exchange rate	2	100.0%	2	100.0%	0	0.0%	0	0.0%

Performance variable which had the greatest impact was Profitability 87.1% followed by operating costs control , liquidity , market share, productivity, customer satisfaction, exchange rates in that order. Profitability as an index of performance , as expected, has been an objective which has remained unchanged over a long time period.

**4.3.4 Estimating the Urgency of issues**

As indicated in Table 22, majority of firms studied 87.1%, do estimate the urgency of strategic issues. This implies that real time strategic issues have a good chance of being handled in time.

*Table 22: Estimate the urgency of the identified Issues*

	frequency	Percentage
Yes	27	87.1%
No	4	12.9%
Total	31	100.0%

**4.3.5 Issue Assignment**

At least 74% of the firms were identifying and prioritising issues as urgent, postponable, and delayable (see Table 23, 24, 25); and were also immediately altering operation plans to accommodate the urgent issues where practical as per Table 26. The study therefore reveals that majority of Kenyan firms studied do prioritize real time strategic issues and therefore able to identify and act on urgent issues.

*Table 23: Distinguish and thus prioritise issues which are urgent*

	frequency	Percentage
Yes	24	77.4%
No	7	22.6%
Total	31	100.0%

*Table 24: classify issues which are delayable*

	frequency	%
Yes	23	74.2%
No	8	25.8%
Total	31	100.0%

Table 25: classify Issues which are Postponable

	frequency	%
Yes	23	74.2%
No	8	25.8%
Total	31	100.0%

Table 26: Action taken on urgent issues requiring immediate action

	Frequency	Percentage
Where practical Immediately alter operation plans to accommodate the issue	23	74.2%
Where impractical immediately refer it to top management/ special " task execution staff" for further analyses	3	9.7%
Always wait until the next planning period and incorporate it there	3	9.7%
d) Others - no response	2	
Total	31	93.5%

#### 4.4 Response to Urgent and Critical Issues

The finding indicates that 90.3% of companies studied are continuously preoccupied with checking urgent and critical issues (see table 27), and that 83.9% prepare a list of key strategic issues (see table 28). Few companies update this list monthly 22.7% , quarterly 32.3%, semi annually 9.7%, annually 35.5 % ( see table 29) . Majority of firms 90.3% , indicates that they have procedures for ensuring that "immediate attention" is taken on urgent & critical issues, (see table 30) .



Table 27 : continuous preoccupied with checking urgent and critical issues

	frequency	Percentage
Yes	28	90.3%
No	3	9.7%
Total	31	100.0%

Table 28 : Preparation of a list of Key Strategic Issues for each year:

	frequency	Percentage
Yes	26	83.9%
No	5	16.1%
Total	31	100.0%

Table 29 : Periodic update for the list of Key Strategic Issues

	frequency	Percentage
a) Monthly	7	22.6%
b) Quarterly	10	32.3%
c) Semi annually	3	9.7%
d) Others - annually	11	35.5%
Total	31	100.0%

Table 30 : Existence of procedures for ensuring that "immediate attention" is taken on urgent & critical issues

	frequency	Percentage
Yes	28	90.3%
No	3	9.7%
Total	31	100.0%

From the above analysis, it can be observed that majority (83.9%) of Kenyan firms studied do respond and give attention to real time strategic issues.

**4.5 Periodic Planning and SIM (Objectives revision)**

As Ansoff (1990) asserted, SIM is supposed to fill the gap in periodic planning and not to replace it. In the study, the researcher included a question to confirm that Kenyan firms studied prepare long term objectives and that some of those objectives are changed over time in response to the real time strategic issues.

As expected most firms (96.8%) make long term formal objectives (see table 31). This is consistent with Gekonge (1999) findings.

The firms which changed/alterd some of the long term objectives were 77.4%, (see table 32). For the last few years, Kenyan firms have engaged in some modification of their objectives such as employment level reduction executed through restructuring.

However, Profitability objective remains unchanged within the same period as it remains a major performance indicator (see section 4.6.1).

*Table 31: Existence of recorded objectives (goals)*

	frequency	Percentage
Yes	30	96.8%
No	1	3.2%
Total	31	100.0%

*Table 32: changed these objectives for the last 5 years*

	frequency	Percentage
Yes	24	77.4%
No	7	22.6%
Total	31	100.0%

Ansoff (1990) asserted that while long term planning determines the basic thrusts of an enterprise and assuring coherence and cooperation among different parts of a complex

enterprise, SIM deals with deviations from these thrusts which may occur as a result of new opportunities/ threats/ strengths/ weaknesses.

The fact that the respondents indicated that they change some of their objectives to accommodate real time strategic issues is a good signal of being flexible and dynamic. When environmental turbulence is fast changing, companies need to modify some of their objectives in line with changing circumstances. It can therefore be concluded that significant number of firms studied are aware of the need to change in tune with the changing environmental demand

#### **4.6 Factors:**

For the purpose of this study, the profile variables in section 4.1 above ( Sector distribution, company Size, ownership , technology, culture, infrastructure and performance measures ) were also considered as factors which may influence real time strategic management practices. Other factors are as shown below.

##### **4.6.1 Management Behaviour to unfamiliar and fast changes**

There was a study question which ought to determine whether the Kenyan firms studied use decisive or reactive management when executing real time strategic management. As shown in table 33, the result indicates that 67.3% of the firms practiced decisive management while 32.3% practiced reactive management in year 2000. However the research was unable to establish existence of planned management.

In terms of flexibility, only 58% of the firms reported as having adequate flexibility to facilitate operational adjustments to ensure that the perceived losses/costs are not incurred . (See table 34)

*Table 33 : management response to timely action to cutting costs or improving profits.*

	Frequency	Percentage
a) corrective decision/action delayed (usually more than one month) to adjust the establishment and seek Head office decision (Reactive)	10	32.3%
b) make a quick decisive decision and take operational corrective measures(within the same month) without waiting for adjustment in the establishment and Head office decision (decisive)	21	67.7%
Total	31	100%

*Table 34 : Existence of adequate flexibility to facilitate operational adjustments to ensure that the perceived losses/costs are not incurred*

	Frequency	Percentage
Yes	18	58%
No	13	42%
Total	31	100%

The implication of the above is that 32.3% of the companies studied may be unable to control costs on a timely basis due to reactive nature of their management behavior. There is therefore a need to address this issue in an effort to improve the real time reaction time.

#### **4.6.2 Factors which greatly determine the Managers Delay time**

The respondents indicated that among the contributing factors that greatly affect the managers delay time in actually taking the corrective decision are as follows: Systems delay in information flow ( 45.2%) was the most important factor followed by verification delay, unfamiliarity delay and political delay factors in that order. ( See table 35 ).



Table 35: contributing factors that greatly affect the managers delay time

	total	%	Most imp	%	2 <sup>nd</sup> Imp	%	3rd imp	%	4 <sup>th</sup> Imp	%
Factor										
Verification delay	31	100.0%	8	25.8%	15	48.4%	7	22.6%	1	3.2%
Political delay	31	100.0%	4	12.9%	6	19.4%	9	29.0%	12	38.7%
Unfamiliarity delay	31	100.0%	5	16.1%	7	22.6%	12	38.7%	7	22.6%
Systems delay	31	100.0%	14	45.2%	3	9.7%	3	9.7%	11	35.5%

This implies that organizations who practice SIM should pay particular attention to communication avenues in order to realize benefits of real time response. This may be achieved through open mindedness , empowerment and bottom up communication systems.

#### 4.6.3 Analysis of the Factors Influencing real time Strategic Issue Practices

The factor analysis technique was executed to identify major factors that influences the real time strategic management in companies studied. In this study, the factors of interest which the researcher considered included company size ,organisation structure , ownership, top management behaviour, infrastructure , industry competition, corporate culture, technology, innovation, environment and profitability The respondents were also requested to rank them according to their importance (see table 36a).

According to Bryman (1997), factor analysis technique enables researchers to assess the factorial validity of the questions which make up the scaled responses by indicating the extent to which they seem to be measuring the same concept or variables. Where these variables are many, factor analysis can determine the degree to which they can be reduced to a smaller set.

## Factor s Considered in factor analysis

Table 36(a): Responses for the important factors in determining the time taken to make urgent and critical decision

	Total	%	Most imp	%	2nd Imp	%	3rd imp	%	4th Imp	%	5th	%	6 <sup>th</sup>	%	7 <sup>th</sup>	%	8 <sup>th</sup>	%	9 <sup>th</sup>	%	10 <sup>th</sup>	%	11 <sup>th</sup>	%
Size	31	100.0%	0	0.0%	0.0%	12.9%	0.0%	9.7%	9.7%	9.7%	6.5%	12.9%	16.1%	22.6%										
Structure	31	100.0%	1	3.2%	12.9%	0.0%	9.7%	12.9%	9.7%	12.9%	6.5%	25.8%	6.5%	0.0%										
Ownership	31	100.0%	4	12.9%	9.7%	16.1%	19.4%	0.0%	6.5%	6.5%	9.7%	12.9%	0.0%	6.5%										
Top. Manag.	31	100.0%	15	48.4%	25.8%	6.5%	6.5%	3.2%	0.0%	0.0%	6.5%	0.0%	3.2%	0.0%										
Infrastructre	31	100.0%	1	3.2%	3.2%	12.9%	6.5%	12.9%	6.5%	12.9%	9.7%	3.2%	9.7%	19.4%										
competitio n	31	100.0%	0	0.0%	16.1%	12.9%	6.5%	9.7%	12.9%	9.7%	12.9%	6.5%	3.2%	9.7%										
Culture	31	100.0%	1	3.2%	6.5%	3.2%	6.5%	9.7%	22.6%	9.7%	6.5%	6.5%	9.7%	16.1%										
Tecnology	31	100.0%	0	0.0%	0.0%	9.7%	9.7%	12.9%	12.9%	6.5%	12.9%	9.7%	22.6%	3.2%										
Innovatio n	31	100.0%	0	0.0%	0.0%	6.5%	12.9%	9.7%	12.9%	12.9%	12.9%	6.5%	6.5%	19.4%										
Environm ent	31	100.0%	1	3.2%	0.0%	12.9%	9.7%	16.1%	3.2%	12.9%	12.9%	12.9%	12.9%	3.2%										
Profitabili ty	31	100.0%	8	25.8%	25.8%	6.5%	16.1%	0.0%	3.2%	6.5%	3.2%	3.2%	9.7%	0.0%										
Others	27	100.0%	0	0.0%	0.0%	0.0%	0.0%	11.1%	11.1%	11.1%	7.4%	14.8%	18.5%	25.9%										

The responses for the importance of the factors (as shown in table 37 a) may be interpreted better after undertaking a factor analysis. The factor analysis was done as per table 37 b , 37c, 37d, 37e below.

## Analysis of the Factors influencing real time strategic practices

	Mean	Std. Deviation	Analysis N
Size	7.9	2.76	31
Structure	6.29	2.7	31
Ownership	5.06	3.11	31
Top Management	2.45	2.34	31
Infrastructure	6.84	3.11	31
Competition	5.9	2.91	31
Culture	6.87	2.92	31
Technology	7.06	2.52	31
Innovation	7.26	2.63	31
Environment	6.55	2.67	31
Profitability	3.77	3.03	31

The descriptive statistics (table 36 b) may not be very useful when used alone. Factor analysis is vital for this study. The initial step in factor analysis is to compute correlation matrix (see table 36c) . If there are no significant correlations between these responses, then this would mean that they are not related and that we would not expect them to form one or more factors. However, in this case, at least 11 of the items (marked in bold in table 36d) are significantly correlated at less than the 0.05 significant level, either positively or negatively, with one another, which suggests that they may constitute one or more factors.

**Table 36 (c): Correlation Matrix for factors influencing Real time SIM**

	Size	Structure	Ownership	Top Man.	Infrastructure	Competition	Culture	Tech.	Innovation	Environment	Profitability
Correlation	1	0.702	0.028	-0.086	-0.421	0.007	-0.006	-0.177	-0.317	-0.178	-0.469
Size		1	0.089	0.068	-0.308	-0.14	0.208	-0.248	-0.302	-0.43	-0.567
Structure	0.702		1	0	-0.237	0.118	-0.164	-0.299	-0.238	-0.157	-0.264
Owners	0.028	0.089		1	0.382	-0.439	-0.03	-0.408	-0.182	-0.153	-0.06
Top Man.	-0.086	0.068	0		1	-0.425	-0.142	-0.092	0.119	-0.061	0.173
Infrastru	-0.421	-0.308	-0.237	0.382		1	-0.35	0.087	-0.188	0.26	-0.01
Compet	0.007	-0.14	0.118	-0.439	-0.425		1	0.097	-0.169	-0.213	-0.211
Culture	-0.006	0.208	-0.164	-0.03	-0.142	-0.35		1	0.481	-0.274	-0.085
Technol	-0.177	-0.248	-0.299	-0.408	-0.092	0.087	0.097		1	-0.192	0.062
Innovation	-0.317	-0.302	-0.238	-0.182	0.119	-0.188	-0.169	0.481		1	0.341
Environ	-0.178	-0.43	-0.157	-0.153	-0.061	0.26	-0.213	-0.274	-0.192		1
Profitab.	-0.469	-0.567	-0.264	-0.06	0.173	-0.01	-0.211	-0.085	0.062	0.341	
											1

**Table 36(d): significant -level matrix for factors influencing Real time SIM**

Sig. (1-tailed)	Size	Structure	Ownership	Top Man.	Infrastructure	Competition	Culture	Tech.	Innovation	Environment	Profitability
		<b>0</b>									
	0.441	0.317									
	0.323	0.357	0.499								
	<b>0.009</b>	<b>0.046</b>	0.1	<b>0.017</b>							
	0.485	0.226	0.263	<b>0.007</b>	<b>0.009</b>						
	0.488	0.131	0.188	0.436	0.223	<b>0.027</b>					
	0.171	0.089	0.051	<b>0.011</b>	0.311	0.32	0.303				
	<b>0.041</b>	<b>0.049</b>	0.098	0.163	0.261	0.156	0.182	<b>0.003</b>			
	0.169	<b>0.008</b>	0.199	0.205	0.372	0.079	0.125	0.068	0.151		
	<b>0.004</b>	<b>0</b>	0.076	0.373	0.176	0.478	0.128	0.324	0.37	<b>0.03</b>	

a Determinant 2.199E-05



The SPSS output showing the initial factors produced by a principal component analysis of the factors and its responses and the amount of variance they account for (their eigenvalue) is presented in table 36e. It can be noted that variance accounted for by the first factor is 2.771 or 25.1% of the total variance

**Table 36 (e): Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.771	25.188	25.188	2.771	25.188	25.188
2	2.048	18.615	43.803	2.048	18.615	43.803
3	1.884	17.128	60.931	1.884	17.128	60.931
4	1.174	10.669	71.6	1.174	10.669	71.6
5	0.946	8.603	80.203	0.946	8.603	80.203
6	0.632	5.745	85.947	0.632	5.745	85.947
7	0.548	4.986	90.933	0.548	4.986	90.933
8	0.474	4.306	95.239	0.474	4.306	95.239
9	0.343	3.122	98.361	0.343	3.122	98.361
10	0.18	1.637	99.998	0.18	1.637	99.998
11	1.83E-04	1.66E-03	100	1.83E-04	1.66E-03	100

Extraction Method: Principal Component Analysis.

Then the final factor output was extracted by SPSS. Using Kaiser's criterion, only factors with eigenvalue of greater than one could have been selected in this case the first four factors. But the researcher specifically instructed the SPSS to produce 11 output factors so that all the tested factors could be ranked according to the relative loading of the responses, (see table 36e).



Table 36 (e): Component Matrix

	Component										
	1	2	3	4	5	6	7	8	9	10	11
Structure	0.888	0.133	8.20E-02	7.01E-02	0.214	-7.77E-02	-9.09E-02	-6.34E-02	-0.217	0.266	4.00E-03
Size	0.799	0.144	9.31E-03	0.128	0.45	0.121	9.10E-03	-7.37E-02	0.237	0.213	3.85E-03
Profitability	-0.706	-5.38E-02	-0.283	0.242	2.39E-02	-0.394	-0.45	4.18E-03	3.52E-02	1.76E-02	4.38E-03
Competition	-2.13E-02	-0.838	-0.148	-0.13	2.84E-02	0.388	-0.18	0.104	-0.233	-9.53E-02	4.29E-03
Top Man	6.26E-02	0.741	-0.388	-0.142	7.00E-02	0.173	-2.21E-02	0.487	7.08E-02	-4.71E-03	3.46E-03
Infrastructure	-0.465	0.668	-0.118	-0.142	0.158	0.3	-3.35E-04	-0.431	-3.82E-02	-3.91E-02	4.40E-03
Technology	-0.266	-0.216	0.836	-3.53E-02	-2.31E-02	0.225	-8.02E-02	5.64E-02	0.317	0.144	3.67E-03
Innovation	-0.456	6.35E-02	0.637	-0.313	0.21	-0.313	0.266	0.128	-0.221	-7.88E-02	3.87E-03
Environment	-0.397	-0.391	-0.541	0.386	9.52E-02	7.55E-03	0.468	8.22E-03	7.34E-02	0.116	3.96E-03
ownership	0.34	-0.163	-0.316	-0.644	-0.527	-0.188	7.19E-02	-0.106	0.119	1.56E-02	4.56E-03
culture	0.271	0.281	0.336	0.611	-0.579	3.27E-02	5.47E-02	7.75E-03	-9.73E-02	-0.112	4.24E-03

Extraction Method: Principal Component Analysis.

a 11 components extracted.

The meaning of a factor is determined by the items which load most highly on it. The relationship between each item or response and a factor is expressed as a correlation or loading. In appendix C, table 36 (e), the responses have been listed in terms of the size of their loading on the factor to which they are most closely related. Thus the responses for the importance of real time SIM has been loaded most in the first listed factor which is the company structure

In summary, 121 Variables representing real time strategic issue practices were considered. The result of this analysis revealed that respondents considered organisational structure as the most influential factor in real time strategic response. The other factors were company size, profitability, industrial competition, top management, infrastructure, technology, innovation, environment, ownership and culture in that order.

The companies who wish to remain dynamic and flexible to facilitate real time strategic response should pay particular attention to the existing organisational structure in their organisation. This finding is consistent with what has been happening in Kenyan organisations where restructuring and reengineering has been given a lot of emphasis for the last few years.

It should be interesting to note that Ownership has been ranked 10<sup>th</sup> factor. According to the result of this study, Ownership whether foreign or local is no longer an issue as far as it concerns making real time strategic issue decisions. It can be concluded therefore that the local CEO's of Kenyan firms studied have been mandated by the shareholders (both local and overseas) to expendise their Judgements as far as real time strategic issues are concerned. This finding contradicts the finding of Yavas, ( 1985) where it was observed that African managers needed to refer most of their decisions to their overseas head offices. This can be explained by the changing environmental variables – whereby in year 2000, real time electronic communication (Internet, email, ecommerce) has propelled real time decisions to be made much more quickly than in 1980's. However this does not imply that periodic strategic plans are not referred to overseas shareholders. This could be a ripe arena for future research work.

## CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

The objectives of this study were to establish the practices of real time strategic issue responses in Kenyan firms and also to identify factors that influences these practices . A questionnaire based on the literature was designed and used to collect the data. These Questionnaires were dropped and picked from the census sample of 54 companies. Out of these, 57% of the firms responded.

### 5.2 Conclusions

The study reveals that a significant number of companies studied practice real time strategic Issue Management using varying methodologies. These methods/practices are: Impact and Ranking analysis method based on SWOT, SWOT based on current information, Simple Environmental Impact analysis based on SWOT, Cross Impact analysis method based on SWOT. However Euroquip matrix method based on SWOT is not practiced in Kenya .

Real time strategic issues in Kenyan firms studied are identified through environmental and business trend analysis. The impact and urgency of issues are estimated by a significant number of companies.

One third of Kenyan companies studied stated that they practice reactive management. Real time response is compromised when management behaviour is reactive in nature Therefore Kenyan companies should ensure that a system of decisive management is put in place where quick decisive operational measures are exercised whenever an urgent issue arises. This would result in reduction of costs occasioned by delay in taking appropriate corrective measures. As Ansoff (1990) asserts, companies can even be better



off in real time strategic response if planned management is institutionalized so as to take corrective action before the impending issue strike the company.

The study revealed that the factor which most determines the speed at which the manager takes corrective action is systems information flow. In order to increase the speed at which managers take corrective action, the systems information flow may be improved by empowerment, delegation, responsibility management, bottom up information flow, increasing informal interaction and opening up any bureaucratic tendencies. These measures may be designed to ensure that the correct and relevant person obtains the correct signal at the earliest possible time. This would entail furnishing responsible officers with the correct state of art communication systems such as a PC fully loaded with internet, emails and relevant websites.

The first six factors that most determine real time SIM includes company structure, size, profitability, competition, top management, infrastructure and technology. The issue of organization structure being the most important variable affecting real time strategic practices should be addressed through a systematic but calculated measures which includes sensible restructuring and reengineering of the companies. The aim should not be to reduce staff per se but to increase efficiency in real time response and operational efficiency.

It should be interesting to note that Ownership has been ranked 10<sup>th</sup> factor. According to the result of this study, Ownership whether foreign or local is no longer an issue as far as it concerns making real time strategic issue decisions.

### **5.3 Limitations of the Study**

Among the various factors which constrained the study included the following:

One of the limiting factors was the non-response from 28 companies which failed to fill the questionnaire and therefore it remains unknown as to how these companies would have responded



The other important factor was the non availability of adequate time to execute the study as this could have limited the scope and depth of the study.

#### 5.4 Suggestions for Further Research

- \* A research should be undertaken to determine whether other companies for instance family businesses , and Non Government Organizations practice real time Strategic Issue management.
- \* Indepth study possibly using different methodology e.g. case studies could be used to check the findings



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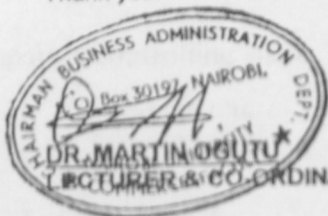
DATE: ..2nd. March .2001.....

**TO WHOM IT MAY CONCERN**

The bearer of this letter: ..NGANGA, P...N.....  
Registration No: ...D/61/R/8439/98.....  
is a Master of Business & Administration student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

Thank you.



LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek

**QUESTIONARE****PART A**

- 1 Company Name: .....
- 2 Title of Respondent: .....
- 3 Year Established: .....
- 4 Size:

Year at 31 <sup>st</sup> December	2000	1999	1998	1997	1996
Turnover (Ksh' Millions)					
Number of Employees					
Net Profit before Tax					
Total Equity					
Number of shares					
Total Assets					

NB: For all the following questions, kindly tick ( ) as appropriate.

- 5 Which Industry are you in? (NB. As per NSE classification)

( ) **Agriculture**

( ) Industrial/Manufacturing

( ) Finance & Investment

( ) Commercial & Services

( ) Alternative Investment Market

( ) Others (Please Specify).....

- 6 The Company's controlling share is Owned by: (Tick one)

( ) Kenyan citizen

( ) Foreigner

( ) Government

( ) Others (Please Specify).....

- 7 The Nationality of the Chief Executive Officer is:-
- Kenyan
  - Foreigner**
- 8 How can you classify the mode of production process (Technology) for the key product you produce?
- Fast changing and capital intensive
  - Relatively stable and capital intensive
  - Relatively stable and Labour intensive
  - Others (Please Specify).....  
Please name(specify) the product.....
- 9 Which is the most important performance measure in your organisation? Please rank them according to important (1 being the most important and 5 being the least important)
- Profitability (Profit Before Tax)
  - Market Share
  - Liquidity
  - Innovation (new product development)
  - Others ( please specify).....
- 10 How can you classify the employee's culture (believes, way of thinking, norms, attitudes) in your organization as far as accepting urgent directives/decisions is concerned?
- Accepts Change quickly
  - Resist change at least for some time
  - Always Reject change
  - Others (Please Specify).....



11 How can you describe the prevailing mode of making URGENT AND CRITICAL decisions in your organisation ?

*(NB. Urgent and critical issues/ factors are those perceived problems or happenings which have profound or major impact on the company and they must be acted upon without any delay)*

Tendency to centralise decisions to top managers

(CEO,GM,MD, Directors)

Tendency to delegate decisions to lower managers

(Marketing M., Finance M, Logistics M., Production M. etc)

Tendency to use Interdepartmental Committees/ Task Forces

Others (Please Specify).....

12 Which of the following current infrastructural status affect critical and urgent decision making process in your organisation? Kindly rank them according to importance (1 being the most important and 4 being the least important)

Physical transportation channels ( Roads, Railways etc)

Electricity availability & supply

Communication systems (Telephone, fax, email, internet etc)

Others (please specify).....

Briefly explain the reason for the rank No. 1 above

.....  
.....

13 How can you describe the developments in the external environment you are operating in within the last 5 years?:

- Relatively Stable
- Continuously Changing and therefore making us change annual operating plans
- Always surprising us with new issues
- Others (Please Specify).....

14 How important are the following factors in determining the time taken to make urgent and critical decision in your organisation? Please rank them from number 1 to 11 according to importance. (NB number 1 to be the most important while number 11 is the least important)

- Company size (Number of employees)
- Organisation structure (layers of managers)
- Majority Shareholders
- Top Management (CEO, MD, GM)
- Infrastructure (roads, Electricity, Tele etc)
- Industry competition
- Employee's attitude towards Accepting change
- Technology/production process
- Innovation/Technological Advancement
- Changing Environment
- Profitability results
- Others (Please Specify) and give a ranking

.....

**PART B:**

15 Do you normally study issues which may affect your operations (both short and longterm) coming from the following areas?

- a) External Environment trend? Yes ( ) No ( )
- b) Internal Business & capability Issues? Yes ( ) No ( )
- c) Performance trends? Yes ( ) No ( )
- d) Others (Please Specify).....

16 In Year 2000 , did the following have any impact on your Company?

(tick each according to the estimated impact):

	Major Impact	Minor Impact	No Impact
a) Government directives & Regislatives	( )	( )	( )
b) Changes in Interest rates	( )	( )	( )
c) Prices of Imported products (new and 2 <sup>nd</sup> hand )	( )	( )	( )
d) Organized Pressure group activities	( )	( )	( )
e) Changes in the process of Manufacturing	( )	( )	( )
f) Infrastructure	( )	( )	( )
g) Others (Please Specify).....	( )	( )	( )

17 In Year 2000 , did the following have any impact on your Company?

(tick each according to the estimated impact):

	Major Impact	Minor Impact	No Impact
a) Change in Time taken to make a decision	( )	( )	( )
b) Changes in Top Managers	( )	( )	( )
c) Restructuring & Reengineering	( )	( )	( )
d) Number of new products you introduced into the market	( )	( )	( )
e) Number of your Training programs (or the amount spent on training)	( )	( )	( )
f) Others (Please Specify).....	( )	( )	( )



13 Did the following performance trend have any impact in year 2000 when compared to company targets/ objectives/benchmarks/?

	Major Impact	Minor Impact	No Impact
a) Net Profit Before Tax	( )	( )	( )
b) Gross Turnover (sales)	( )	( )	( )
c) Turnover per employee	( )	( )	( )
d) Operating Costs	( )	( )	( )
e) Customer Delivery time	( )	( )	( )
f) Liquidity	( )	( )	( )
g) Others (Please Specify).....	( )	( )	( )

19 Does your planning and management team Perceive and treat "Strategic Plans" and " urgent critical issues (factors) " which affect the company between the planning cycle as the same?

Yes ( ) No ( )

*(NB. Urgent and critical issues/ factors are those perceived problems or happenings which have profound or major impact on the company and they must be acted upon without any delay)*

20 Are you continuously (throughout the year) preoccupied with checking urgent and critical issues which may affect your daily operations ?

Yes ( ) No ( )

If yes, how often do you do a review of these strategic issues?

- Monthly
- Quarterly
- Semi annually
- Others (please specify).....

21 Do you prepare a list of Key Strategic Issues for each year? Yes ( ) No ( )

If yes how often do you update this list?

- Monthly
- Quarterly
- Semi annually
- Others (please specify).....

22 Do you have a procedure for ensuring that "immediate attention" is taken on urgent & critical issues? Yes ( ) No ( )

23 Where are such "urgent and critical" issues discussed and recorded?

- In Planning Meetings or Management or Board Of Directors Meetings
- At the assigned Special task force meetings
- Others (please specify).....

24 Does your company have recorded objectives (goals) for the current year? Yes ( ) No ( )

25 Have you changed these objectives for the last 5 years? Yes ( ) No ( )

26 How often do you compare your actual performance trend to your targets/objectives/benchmarks?

- Daily
- Weekly
- Monthly
- Quarterly
- Annually
- Others (please specify).....

27 Do you do historical comparisons for Sales turnover? Yes ( ) No ( )

If yes what is the period covered by this historical comparisons

- Last 6 months
- Last 12 months
- Last 2 years
- Last 3 years
- Last 5 years
- Others (please specify).....

28 What do you do when the targets/objectives/benchmarks are not met? .

- Report the variance to the top management **only**
- Report to top management and Include it in the list of issue to be investigated
- Others (please specify).....

29 Which Method/technique/practice do you use to analyse Strategic Issues?

(NB.1 **SWOT** means analysis of the strengths, weaknesses, opportunities, threats facing the company)

NB.2 For the purpose of this question, the words method, technique, practice implies the same thing: the way you analyse strategic issues

- ( ) SWOT based on current information only
- ( ) Simple Environmental impact analysis method based on SWOT  
( where each issue is analysed separately without considering the effect of other identified issues)
- ( ) Cross impact analysis method based on SWOT  
( where various related critical issues are grouped together , the likelihood of simultaneous occurrence estimated , and hence identify possible future major loss/ disaster or future major profit/ opportunity)
- ( ) Issue impact and ranking method based on SWOT  
( where critical issues are ranked according to urgency and therefore grouped as to the following: urgent issues needing immediate action; those issues not very urgent to be postponed to next years plans; those issues not very urgent but which need continuous monitoring throughout the year; those issues of lessor importance and hence dropped from the issues list)
- ( ) Euroquip matrix method based on SWOT  
(where the impact /urgency of issues are done after the evaluation of the issue's impact and issue's urgency. This involves of prior and vigorous assessment of whether the strengths and/ or weaknesses are applicable to responding to threats / opportunities )
- ( ) Others (please specify).....

Please explain in few words how you execute the method/technique/practice selected above .....



30 Do you estimate the urgency of the identified Issues? Yes ( ) No ( )

31 Do you distinguish and thus prioritise these issues as :

a) Those Urgent & Critical Issues requiring Immediate action Yes ( ) No ( )

b) Those Issues not very urgent but needs continuous Monitoring throughout the year by a specified officer Yes ( ) No ( )

c) Those Issues which are not very urgent and therefore Postponed to next years plans Yes ( ) No ( )

d) Others (please specify).....

32 If your answers in 31 (a) above is yes, what action do you take on urgent issues requiring immediate action? Tick one as appropriate.

( ) Where practical immediately alter operation plans to accommodate the issue

( ) Where impractical immediately refer it to top management/ special " task execution staff" for further analyses

( ) Always wait until the next planning period and incorporate it there

( ) Others (please specify).....

33 When do your organisation start to act on an issue which is perceived to be urgent and having a major impact on the organisation?

- Start to act when **performance results is unknown**, but the available information is vague and its future course is unclear
- Start to act when **performance results is unknown**, but information is available about the issues' impact and its timing / occurrence well established.
- Start to act when **performance results is known**, and it show clearly that something is wrong
- Others (please specify).....

34 Occasionally, a certain factor is discovered which has been making the company make losses. How can you describe your management response to timely action to cutting costs or improving profits .

- a)  Always discuss , analyse the problem but corrective decision/action delayed (usually more than one month) to adjust the establishment and seek Head office decision
- b)  Always discuss , analyse the problem and make a quick decisive decision and take operational corrective measures (within the same month) without waiting for adjustment in the establishment and Head office decision
- c)  Others (please specify).....

NB: If your answer is (b) above, please specify one such decision made in year 2000 which made the company start improving profits within a period of one month (between the date of discovering the problem and date of taking corrective measure)

Problem:-----

Corrective Measure:-----

35 Do your company engage in forecasting of future sales, earnings, costs?

Yes ( ) No ( )

If your answer is yes, then, these forecasts are based on what? (tick only one)

- a) ( ) Project past performance into the future only
- b) ( ) Project past performance into the future , and use of other forecasting techniques eg . sales team, pannel of executives , technological , economic , scenarios forecasting etc.

i) If your answer is (b) above, has such forecasting been able to identify costly problems before they actually occur? Yes ( ) No ( )

ii) If your answer in b (i) above is yes, does the organisation have enough flexibility to facilitate operational adjustments so as to ensure that the perceived losses/costs are not incurred?

Yes ( ) No ( )

36 Which of the following contributing factors greatly affect the managers delay time in actually taking the corrective decision: Please rank them from number 1 to 4 according to importance. (NB. Number 1 to be the most important factor while number 4 should be the least important factor)

- ( ) Time taken in discussing and verifying details
- ( ) Time taken by individual managers trying to manage crises alone
- ( ) Time taken to study the unfamiliar/new challenges
- ( ) Systems delay in information flow
- ( ) Others (please specify).....

**The researcher sincerely thank you for your cooperation in responding to these questions. This information shall be treated with maximum confidentiality.**

Thank you very much.



## LIST OF COMPANIES QUOTED IN THE NAIROBI STOCK EXCHANGE

<b>A) Main Investment Market Segment (MIMS)</b>	
<b>Commercial and Services</b>	<b>Industrial and Allied</b>
African Lakes Corporation Plc	Athi River Mining Ltd
CMC Holdings Ltd	British American Tobacco (K) Ltd
Car & General (K) Ltd	Bamburi Cement Ltd
Kenya Airways Ltd	B.O.C. Kenya Ltd
Marshalls (EA) Ltd	Carbacid Investments Ltd
Nation Media Group Ltd	Crown Berger Ltd
Tourism Promotion Services Ltd	Dunlop Kenya Ltd
Uchumi Supermarkets Ltd	East African Cables Ltd
<b>Finance and Investments</b>	East African Portland Cement Company Ltd
Barclays Bank of Kenya Ltd	East African Breweries Ltd
C.F.C Bank Ltd	Firestone East Africa Ltd
Diamond Trust Bank Kenya Ltd	Kenya National Mills Ltd
I.C. D.C. Investment Co. Ltd	Kenya Oil Company Ltd
Ecusing Finance Company of Kenya Ltd	Kenya Power & lighting Co Ltd
Jubilee Insurance Co Ltd	Total Kenya Ltd
Kenya Commercial Bank Ltd	Unga Group Ltd
National Bank of Kenya Ltd	
National Industrial Credit Bank Ltd	
Pan African Insurance Company Ltd	
Standard Chartered Bank of Kenya Ltd	

<b>B) Alternative Investment Market Segments (AIMS)</b>	<b>C) Suspended (Equity)</b>
A. Baumann & Co Ltd	Lonrho Motors EA Ltd
City Trust Ltd	Theta Group Ltd
Eaagards Ltd	Hutchings Biemer Ltd
East African Packaging Industries Ltd	Pearl Drycleaners Ltd
Express Kenya Ltd	Regent Undervalued Assets Africa Fund
George Williamson Kenya Ltd	
Kapchorua Tea Co. Ltd	
Kenya Orchards Ltd	
Limuru Tea Co. Ltd	
Standard Newspapers Group Ltd	

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