

“ORGANISATIONAL RESPONSES TO ENVIRONMENTAL
CHANGES IN THE AGRICULTURAL SECTOR: THE CASE
OF APEX PUBLIC CROP MANAGEMENT
ORGANISATIONS IN KENYA.”

BY

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DECLARATION

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

Signed UB Mathengo Date 16th October, 2003

Beethoven Muthungu Mathengo

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

Signed Jackson Maalu Date 28/10/03

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DEDICATION

This Research project is dedicated to my parents. My father, the late Wilson Mathenge Kîrûnyû, a former teacher who, at the end of school every evening, counselled homegoing children outside our homestead and who kicked from my hands my precious counting beans thereby teaching me the importance of education and self reliance. My mother, Mrs. Prisicah Njoki Mathenge who, at my early childhood, acted as my home nursery school teacher.

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ABSTRACT

Recent liberalization and globalization of world economies have caused turbulence in the business environment. Hitherto protected organisations have found themselves in unfamiliar trading environment. Their operations, past inefficiencies and markets are no longer protected. They are under pressure to re-align their management strategies and structures to the changes in the environment.

This study sought to identify the factors causing turbulence in the Kenyan public crop management organisations and document responses formulated in both strategy and structure.

A census of the organisations was conducted and primary data obtained through face-to-face interviews using a structured questionnaire. Data was analysed using proportions, mean scores and percentages.

The study revealed that competition, price fluctuations, legislation, rising costs of inputs and government divestiture were the major factors causing impact in the public crop management organisations. It also revealed that organisations undertook both strategic and operational responses to re-align themselves to the changes in the environment. Strategies

undertaken by most organisations included focussing on core business and marketing, adapting new technology and private sector management styles, product quality improvement and re-configuring internal processes. Most organisations changed their structures to match the new strategies. The resultant structures were more corporate goals driven, more flatter, allowed more flexibility, more employee participation, creativity and faster response to customer needs.

The study affirms Ansoff's strategic success hypothesis that a firm's performance potential is optimum when the strategic behaviour matches the environment turbulence and that the firm's capability matches the aggressiveness of the strategy. The study however, does not explain how the strategic responses were formulated. There is therefore need for further research in this area.

CHAPTER ONE: INTRODUCTION

1.1 Background

Organisations exist in the context of a complex commercial, economic, political, technological, infrastructural, cultural and social world environment (Johnson and Scholes, 1999). This environment is key to their success. It can be relatively stable or turbulent. Each level of turbulence has different characteristics and requires a different strategy to match. The strategy in turn has to be matched by appropriate organisational capability for survival, growth and development (Ansoff, 1990).

In a stable environment, organisations are under no pressure to change and past measures of performance could be extrapolated to correctly indicate future performance. The major concern then is maintaining a firm's position against the competition. Turbulence in the business environment however, puts pressure on organisations to be sure they can effectively meet the fundamental changes that are occurring. Past success, as Ansoff stresses, will no longer be an extrapolable measure of future success, as the future is now not necessarily expected to be an improvement over the past (Ansoff, 1990).

Studies carried on large manufacturing corporations in America found out that hitherto successful corporate strategies were no longer relevant when these corporations experienced external environment turbulence (Hall, 1982). As organisations find themselves in unfamiliar environment, they have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. Worley et al state that the ability to change is itself a competitive advantage (Worley, Hitchin and Ross, 1996).

Fundamental forces of change have been experienced in the global business environment. These have resulted in globalization, democratisation, economic reforms and trade liberalization. They have led to unprecedented competition. Organisations responding to these changes have realized that their previous strategy and configurations may no longer serve them well. Many authors concur on this and are agreed that when the external environment changes, fundamental strategy and structural changes may be necessary (Chandler, 1962; Ansoff, 1990; Canals, 1997).

Kotler and Burnes identify the forces of change as being market or consumer driven. In addition, Burnes states that semi-protected markets and industries are being opened to fierce competition and public bureaucracies and monopolies are being transferred to the private sector (Kotler, 1998; Burnes, 1996).

In Kenya, the effects of liberalization and globalization have been fundamental and have changed the dynamism of business. They have resulted in unprecedented competition even in protected industries. Organisations have responded by investing more on technology, research and development (R & D), product development and market focus. They have also had to re-design their structures in order to become more competitive. This is evident from studies carried out to document responses to changed environment at the East Africa Breweries Limited (Njau, 2000) and among motor vehicle franchise holders (Kombo, 1997). Strategy adjustments have also been noted among petroleum firms (Chepkwony, 2001; Isaboke, 2001) and at Telkom Kenya Ltd. (Kandie, 2001).

Government owned parastatal firms has dominated the agriculture sector by force of law. These manage, regulate or are in charge of marketing the crops. They have however been described in various studies as weak, loss operating, inefficient, politically influenced with limited management capabilities that have led to poor performance and lack of realization of the sector's full potential (World Bank, 2001; Kang'oro, 1998; Republic of Kenya, 1986).

Research indicates that organisations, including government parastatals, respond to changes in the external environment by formulating strategies to re-

align themselves to the new environment. Studies by Stone and Gulvin on machines for power farming conclude that in many countries, farmers have increased productivity by adopting advanced technology to respond to increased competition. In some nations, commercialization has led to farming by large-scale government corporations. The use of genetics to develop new strains of plants, notably in hybrid strains of grain has been utilized (Stone and Gulvin, 1977).

The dairy industry firms have had to embark on product and market development as well as re-focus on their supply chain. They have resorted to co-operation with their suppliers in order to create loyalty and stable prices (Kioi, 2001). They have made major strategic and structural adjustments in their marketing mix components of product, promotion, place and price due to competition (Bett, 1995).

Other studies on Kenyan companies and the public sector have found technology improvement, product differentiation, market focus, promotion, brand building, changes in missions and objectives as some of the responses (Gekonge, 1999; Kang'oro, 1998).

As a result of threats on coffee production from the Coffee Berry Disease (CBD) and leaf rust, the Coffee Research Foundation developed a coffee plant

variety, Ruiru II, which is resistant to the disease (Coffee Marketing Board, 2000).

A threat from competition forced Unga Limited company, which was leading in the wheat and maize flour production, to brand its products which had been hitherto unbranded. In 1996, it embarked on formulating strategies in line with modern business practices and radically re-structured its entire operations. The process involved the laying off of 2,000 workers (Business and Finance Journal, 1998). Kang'oro, in a study of strategic management practices in Kenyan parastatals concluded that the parastatal firms undertook strategic management practices. She however noted that political interference influenced sound decision making (Kang'oro, 1998).

1.2 Statement of the Problem

Environment is key to the success of any organisation, as every organisation exists to serve the environment. Any level of turbulence in the environment therefore calls for a strategic response for both survival and growth. Recent liberalization and globalization of economies has resulted in unprecedented competition even in formerly government-protected organisations. Coupled with the withdrawal of subsidies and budgetary support, public organisations, which have hitherto been prone to management inefficiencies and other

institutional weaknesses, are threatened with irrelevance unless they respond with new strategies and create internal capabilities to match. How they respond to changes in the business environment, crucially impact on their existence.

The agricultural sector plays a leading role in the Kenyan economy. Exports of primary commodities such as tea, coffee and horticultural crops comprise the bulk of export earnings with crop agriculture comprising 87% of the total agriculture marketed output in 2000 (Republic of Kenya, 2001). Most Kenyans rely on the sector for meeting their basic need for food sustenance. Improvements in the sector production leads to improvements in other sectors (Republic of Kenya, 1997) while a decline in production leads to high levels of poverty, low school attendance, illiteracy and disease. Any changes in the business environment therefore impact on the core of the country's existence.

How the organisations charged with regulatory, management or marketing of the crops respond to the changes in the environment is an important indicator of the strategic health of the sector and by implication, the nation.

This study aims at assessing the relative importance of the environmental forces of change that have been experienced by the public crop management organisations in Kenya and assessing how they have managed those changes.

1.3 Study Objectives

The objectives of this study are to:

- (i) Assess the relative importance of the forces of change affecting the public crop organisations
- (ii) Identify the responses in strategy development and internal capability as they relate to the changes

1.4 Importance of the Study

The study findings will benefit the management and staff of the organisations under study by gaining insight into how their organisations have been managed and especially on the strategic responses and capability.

Players in the industry will benefit through comparison with other organisations and especially those which might face similar environmental turbulence in the future.

This study will also contribute academically to the existing literature in the field of strategic management in general and strategic change management in particular. It should also stimulate further research in the field of management of strategic change especially among Kenyan firms.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section presents a review of the pertinent literature and the conceptual framework of the study. It highlights the literature on the significance of the environment to organisations, the concept of strategy and organisation responses in both strategy and structure. The chapter also documents some challenges facing crop agriculture in Kenya.

2.2 The Significance of the Environment

Organisations are open systems that interact with the environment. They rely on the environment for inputs and discharge their outputs to the environment. This environment changes and is more complex for some organisations than for others. How this affects the organisation could include an understanding of historical and environmental effects as well as expected or potential changes in the environmental variables. The changes in the environment give rise to opportunities for the organisation but also exert threats on it (Johnson and Scholes, 1999). Drucker affirms this and asserts that neither results nor resources exist in the business. He defines business as a process that converts an outside resource, namely knowledge, into an outside resource, namely economic value (Drucker, 1996).

A number of forces in the external environment combine to create a situation. The forces are so dynamic and interactive that the impact of any single element cannot be wholly disassociated from the impact of other elements (Pearce and Robinson, 1991). The two authors categorize the forces into:

- (i) Remote environment which originates beyond, and usually, irrespective of any single firm's operating situation
- (ii) Industry environment which comprises entry barriers, suppliers' power, buyer power, substitute availability and competitive rivalry
- (iii) Operating environment comprising competitors, creditors, customers, labour, suppliers, etc.

This categorization is especially true for large organisations (Kotler, 1998).

The environment has in the past been relatively stable, but now organisations worldwide are encountering more turbulent markets, more demanding shareholders, and more discerning customers (Internet, 2000). Kotter asserts that the globalized economy is creating both more hazards and opportunities for everyone, forcing firms to make dramatic improvements not only to compete and prosper but also to merely survive. Globalization, he says, is in turn, being driven by broad and powerful forces associated with technological change, international economic integration, domestic market maturation within the more

developed countries, and the collapse of communism (Kotter, 1998). Hamel avers that in industry after industry, the terrain is changing so fast that experience is irrelevant and even dangerous (Hamel, 1996).

Kotler identifies the external environment forces that are forcing change as the marketplace continually throwing out challenges which organisations have to respond to. Major among the forces is the growing emphasis on quality, value and customer satisfaction (Kotler, 1998). Burnes identifies the forces of change as new products appearing in the market at an ever increasing rate; local markets becoming global markets; protected or semi-protected markets and industries being opened to fierce competition; and public bureaucracies and monopolies being transferred to the private sector or having the market transferred to them (Burnes, 1996).

Since the industrial depression of the 1930's, the world business environment had been relatively stable. Turbulence however, started with the advent of the oil crisis in 1973. This spurred technological developments and an increase in foreign competition. Traditional markets became saturated and there was a decline in growth in many organisations (Porter, 1980). These factors eventually led to world globalization, democratization and technological developments in the late 1980's. They created fundamental changes in the

Kenyan business environment which resulted in liberalized markets of products and competition.

2.3 The Concept of Strategy

When the external environment changes, organisations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. As Worley et al assert, the ability to change is itself a competitive advantage (Worley, Hitchin and Ross, 1996).

Organisations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organisation that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Schendel and Hofer, 1979). Pearce and Robinson support this. They say that organisations have to respond to the turbulence by crafting new strategies that they define as large-scale, future-oriented plans for interacting with the environment. They stress that strategy optimizes achievements of organisational objectives (Pearce and Robinson, 1991). Juach and Glueck also confirm this view. They state that strategy is a unifying, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and is designed to ensure that the basic objectives of the

enterprise are achieved through proper execution by the organisation (Juach and Glueck, 1984).

Strategy formulation involves long-term decisions and is an important management tool. Diverse authors emphasize these two factors. Aosa studied large manufacturing firms in Kenya and found that strategy was essential in helping managers tackle the potential problems of their companies (Aosa, 1988). Johnson and Scholes concluded that strategy gives the direction and scope of an organisation over the long-term (Johnson and Scholes, 1999). Koch avers that a good strategy is the commercial logic of a business that defines why a firm can have a competitive advantage (Koch, 1995). Mintzberg defines strategy as a pattern in a stream of decisions and actions. He finds strategy as all encompassing and describes it as a plan, ploy, pattern, position or perspective (Mintzberg, 1994). Andrew again amplifies the plan aspect of strategy. It is a game plan to outdo competitors (Andrew, 1971).

Available research indicate that as a result of a liberalized market, the motor vehicle franchise holders in Kenya made strategy adjustments by introducing new technologies in product development, product differentiation, segmentation and improved customer service in face of competition (Kombo, 1997).

Bett concluded that due to economic reforms, firms in the dairy industry in the early 1990's made major adjustments in their strategies in order to survive competition (Bett, 1995). A similar study among the dairy industry firms concluded that they embarked on market, product development and a re-focus on the supply chain as a result of increased competition in the business (Kioi, 2001). Njau studied East Africa Breweries Limited and found that the firm had made adjustments in competitive positions in the face of increased competition (Njau, 2000).

Studies in the Kenyan Petroleum industry concluded that the oil firms made major marketing strategy adjustments in order to be competitive in the liberalized market (Chepkwony, 2001 and Isaboke, 2001).

The essence of strategy is to relate the organisation to the changes in the environment (Ansoff, 1990). Organisations therefore have to respond with relevant strategies that match the changed environment. Failure to respond may lead to organisational decline or obsolescent. A study among insurance companies in Kenya `concluded that the industry was in chaos as the firms had not properly made strategy adjustments following liberalization (Abdullahi, 2000).

Strategy implementation has to be supported by resources and competencies of the organisation. These make up the strategic capability. Johnson and Scholes state that just as there are outside influences on the organisation and its choice of strategies, so there are internal influences. These comprise the organisation's strengths and weaknesses (Johnson and Scholes, 1999).

Thomson emphasizes on internal processes that he says can add value to an organisation (Thomson, 1994). Porter also emphasizes the importance of internal capability by stating that companies must be flexible to respond rapidly to competitive and market changes. They must nurture a few competencies in the race to stay ahead of the competition (Porter, 1998).

Matching strategy with capability response would entail changing systemic properties that include, task sub-division, organisational culture and power structure within and among functions. These are summarized by Ansoff as general management, management systems and the firm's structure. They involve leadership, processes, reward systems, etc. (Ansoff, 1990).

Organisation structure is vital as it supports the inter-relationships in decision-making, leadership, delegation, communication and controls (Bowman, 1998).

2.4 The Strategy and Structure Responses

Johnson and Scholes present the view that strategies are developed on the basis of both environmental fit and stretch. The “fit” approach to strategy development means trying to identify the opportunities that exist in the environment and tailoring the future strategy of the firm to capitalize on these. The “stretch” means building on or stretching an organisation’s resources and competencies to create opportunities or to capitalize on them (Johnson and Scholes, 1999). This brings to the fore the inter-dependence nature of strategy and structure.

Whereas strategy re-aligns the organisation to the changes in the environment, structure supports the strategy by delineating the requisite functions and activities. It also specifies the link between these functions and activities.

Mintzberg concluded that structures of organisations depict characteristics that include the top management, whose responsibility is to create the strategic direction; the operating core, who provide what the organisation offers; the middle level, who supervise and control; the staff, who inspect the work of others; and finally, the support staff, who perform the tasks (Mintzberg, 1979).

In studies on strategy and structure relationship, Chandler observed that structure always matched strategy. He concluded that structure always follows

strategy (Chandler, 1962). This view is shared by Ansoff and Bowman among others (Ansoff, 1990; Bowman, 1998).

Mintzberg and Quinn observe that strategies are seldomly decided independently of structure as structure enables and constrains particular strategies and they therefore hold the view that the two are interdependent (Mintzberg and Quinn, 1991).

These views are not universally agreed on as other studies have found occasions where there are strategy changes without corresponding changes in structure. These lead to the conclusion that in some cases, strategy and structure are independent (Donaldson, 1987; Aosa, 1992; Majluf, 1996). This is especially so for monopolistic and oligopolistic firms which usually enjoy some kind of security (Koyio, 1999). For these, the option of passing over their inefficiencies to customers appear softer than restructuring (Whittington, 1993).

In a study on structure and strategy relationship in Kenyan enterprises, Koyio concluded that there was positive correlation between strategy and structure. The factors of strategy that he studied were changes in business units, products, market focus, core business, company vision and objectives, and exports. The structure factors he considered were flexibility, flatter/tall structures, participation, creativity, corporate goals and responses to customer needs

(Koyio, 1999). Isaboke studied the strategic responses by major oil companies in Kenya to new entrants and found that responses were both in strategy and structure.

2.5 Challenges Facing Crop Agriculture

Agriculture is the economic mainstay of most developing countries. In Kenya, the sector currently contributes about 24% of the Gross Domestic Product (GDP) and accounts for 80% of the country's export earnings. It also employs about 70% of the employed persons (Republic of Kenya, 2001).

Crop agriculture is the major contributor within the agriculture sector and the smallholder farmer dominates production in the sector. In 1999, the smallholder produced 68% of the total tea production (The Tea Board, 2000) and 55% of the total coffee production (Coffee Marketing Board, 2000).

Prior to Kenya's independence in 1963, agriculture comprised a large traditional sector based on subsistence farming, barter trade of goods and a heavy reliance on foreign exchange from agricultural exports (Republic of Kenya, 2001).

The post-independent era to the late 1980's saw the maintenance of important agricultural exports while substituting imported goods for those domestically

produced. It was characterized by a system of economic development through regulatory parastatal powers and pervasive control of the private sector (Republic of Kenya, 2001). This use of parastatal form of organisation was however, a deliberate effort to solve political and economic problems of decolonising the economy, increasing citizen participation, promoting development and regional balance, and ensuring greater public control. (Aseto and Okelo, 1997).

In line with the above, most of the firms established or maintained in the crop agriculture for the regulatory, marketing or management functions have been parastatals (Kang'oro, 1998). These comprise the Apex Public Crop Management Organisations.

Though well intentioned, the use of parastatals has been recognized as the major cause of decline in the agriculture sector. The World Bank describes them as inefficient with institutional weaknesses that hamper growth. The Bank concludes that their use has led to unsuccessful policies including contributing to the deteriorating physical environment. They should not therefore be left in-charge of the administration of prices, input subsidies, financing of farmers and marketing of export crops (World Bank, 1989).

The above views are borne out by Kang'oro. She studied Strategic management practices in public organisations and concluded that although all the firms considered market trends important, not all (only half of them) collected information about their competitors. She also found out that there was negative government political influence resulting in poorly developed strategies leading to poor performance (Kang'oro, 1998).

Kimenyi concluded that major institutional changes resulting from reforms required sufficient capacity to implement change that was grossly lacking within government institutions (Kimenyi, 2002).

Pressure to address the above weaknesses has mounted on the Kenyan government. It has come from various quarters including the International Monetary Fund, Structural Adjustment Programmes, a changed world political environment and globalization. As a consequence, the government started abandoning the old paradigm towards a new one that recognizes market mechanism and private enterprise as more efficient in generating the economic dynamism that leads to growth. The role of government is therefore, transforming towards that of providing an enabling policy environment and maintaining essential infrastructure (Republic of Kenya, 1996). It has therefore

become necessary to restructure some of the economic sectors with a view to enhancing the private sector involvement.

As these environmental factors exert pressure, it is expected that Apex Public Crop Management Organisations will have to re-orient their businesses to the new environment towards profitability and growth. To do this, it is essential that they craft new strategies and structures. Their security is threatened and passing over their inefficiencies no longer an option. A new industry analysis is necessary.

According to Porter's Five Forces Model of Industry Analysis, the forces that influence an organisation's profitability are, a threat of new entrants, a threat of substitute products, the bargaining power of buyers, the bargaining power of suppliers and a threat of new products (Porter, 1980). In the African context, the government and logistics are additional factors considered relevant (Palvia et al, 1990). In the Kenyan context, Aosa has added the force of power play influencing decision making in Kenyan firms (Aosa, 1992).

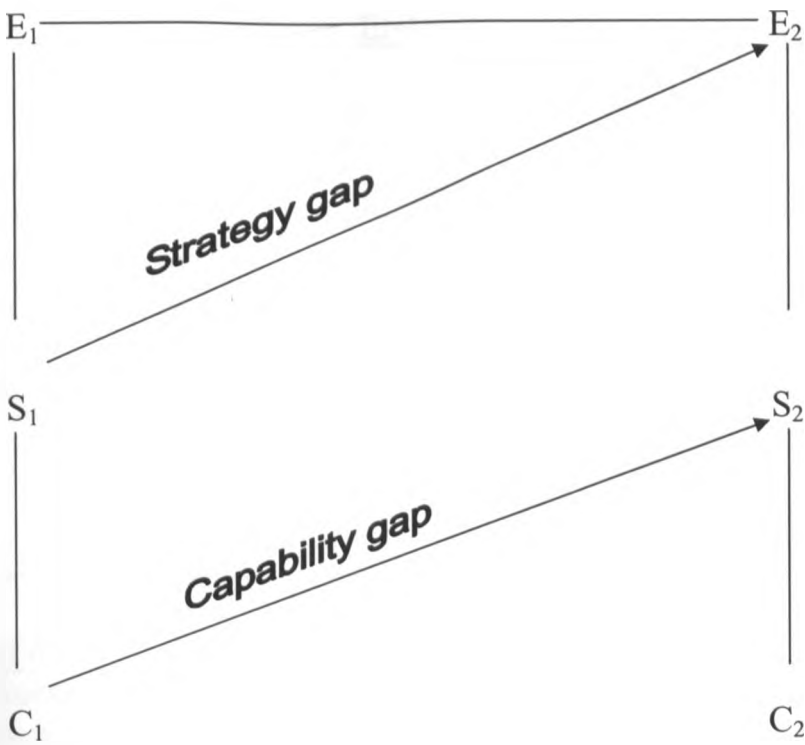
The Apex Public Crop Management Organisations have over the years been protected against the threat of new entrants by government. The government has also supported their inefficiencies through budgetary support due to ownership. In the new economic scenario, this is no more. They will have to

justify their existence or become irrelevant. They will have to inject private sector professionalism; invest more on technology, R & D for innovation, branding and differentiated pricing, health and safety, adaptation to quality management production processes and focus on aggressive marketing. Other possibilities could be strategic partnering, mergers, acquisition or businesses integration. Failure to react will lead to serious strategic maladjustment of the organisation's output and the demands of the external environment (Ansoff, 1990).

2.6 The Conceptual Framework of the Study

This study uses Ansoff's strategic success hypotheses that states that "a firm's performance potential is optimum when three conditions are met." These are, "that the aggressiveness of the firm's strategic behaviour matches the turbulence of its environment; that responsiveness of the firm's capability matches the aggressiveness of its strategy; and that the components of the firm's capability must be supportive of one another" (Ansoff and McDonnell, 1990).

Diagrammatically, this is expressed as below, where $E_1 - E_2$ is the change in environment, $S_1 - S_2$, is the change in strategy and $C_1 - C_2$ is the capability change.



At $E_1 - S_1 - C_1$, all the three are in harmony. However, with a change in environment to E_2 , requisite strategy S_2 and capability C_2 are required, otherwise there will be a mismatch resulting in the above gaps.

Expressed differently, the study aims at filling in the two boxes with information on the current strategies and capabilities indicated by the question marks below. This approach takes the view that change must be managed and that management of change is, in fact, the *raison d'être* of management (Ansoff, 1990).

ENVIRONMENT

Before

- Government ownership and control
- Stable prices
- Protected markets
- Government imposed barriers to entry
- Monopolists

Current

- Government divestiture
- Competition
- Technology development
- Fluctuation in prices
- Poor methods of processing
- Poor/rising cost of inputs
- Demand on safety of product
- Legislation
- Poor infrastructure
- Limited cargo space
- Changing consumer tastes

STRATEGIES

Before

- Bureaucratic and monopolists
- Farmer stakeholder ignored
- Responsive to political leadership
- Poor information gathering
- No outsourcing
- Short – term
- Not for profit
- Not limited to core competence
- Slow technological development

Current

?

CAPABILITY

Before

- Leadership – controlled/Top led
- Functional/departmental
- Rigid structures/Centralization
- Bloated workforce
- Public service culture
- Tall structure
- Innovation suppressed

Current

?

CHAPTER THREE: STUDY DESIGN AND METHODOLOGY

3.1 Introduction

This chapter defines the population of study and explains design and methodology of data collection and analysis.

3.2 Population of Study

The population of study comprised organisations regulating, managing or marketing crop agriculture. These were either government owned at the present or in the past ten years. According to the Ministry of Economic Planning and Development's Economic Survey, 2001, the crops that are included in the compilation of statistics on agriculture-marketed production comprise:

Cereals: maize, wheat, others

Temporary industrial: sugar-cane, pineapples, pyrethrum, others

Permanent: coffee, tea, sisal, others

In addition to these are the horticulture, irrigation crops and cotton. The organisations managing the above crops were referred to as Apex Public Crop Management Organisations.

A census of the organisations was carried out on the eleven organisations that formed the population of interest. Of these, one was neither accessible through telephone nor postal communication. Three organisations failed to respond despite telephone requests and visits. The remaining seven responded positively. Their responses form the basis of the findings. The list of organisations and the status in response appear under Appendix 1.

3.3 Data Collection

The researcher used a structured questionnaire to collect the data. A letter seeking an appointment with the Chief Executive Officer was sent to each of the organisations. This letter was sent together with the Official University of Nairobi letter and the questionnaire. Telephone calls seeking appointments were then made to the respective officers. Personal interviews, which provided an opportunity for probing, clarification and hence enhanced accuracy, were conducted. A copy of the personal letter, Official University of Nairobi letter and questionnaire appear as appendix 3 and 4 respectfully.

3.4 Data Analysis

Completed questionnaires were edited immediately after completion of interview and through telephone re-calls during the analysis stage to ensure

completeness and consistency. Data was then summarized into tables according to different variables.

The analysis for responses in strategy and structure to environmental changes is shown as percentages of the total number of organisations. Mean scores are calculated where a Likert scale has been used.

The study variables used for strategy changes are:

- (i) Core business focus
- (ii) Market focus
- (iii) Specialized technology
- (iv) Product quality innovation
- (v) Internal process evaluation

For the matching of structure to strategy, the variables used are:

- (i) Number of employees
- (ii) Number of managers
- (iii) Number of management levels

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

The first part of the chapter highlights the profiles of the organisations that responded. The second part compares the relative importance of the environmental factors impacting on the organisations. The third part gives the findings on responses in strategy to the environmental factors and reasons for their use. The final part of the chapter shows the structure responses that were used. It also highlights the reasons for their use.

4.2 Organisations Profile

The profile of the organisations mainly showed government ownership and hence government control through its representatives in the organisations. Of the seven organisations that responded, six were parastatals that were fully government owned. The seventh was a privately registered organisation owned by farmers through their product processing units. Government up to year 2000 had previously owned it.

The duration of operation for the parastatals covered a period of over forty years for the other three. This period corresponds to the creation of parastatals before and after Kenya's independence respectfully.

The organisations were involved in various business activities as shown in the table below.

Table 4.2: Distribution by Main Business Activity

Business Activity	No. Of Organisations	Proportion (%)
Regulatory	3	43
Marketing	2	14
Management	1	29
Service provision	1	14
Total	7	100

In addition to the main business activities shown in the above table, most organisations were involved in other business activities. Only two organisations carried out single activities, one in regulatory and the other in service provision.

On the number of employees, four of the organisations had each a total of up to 200. Another had between 401 and 600 employees while two organisations had between 801 and 1000 employees. Most of these organisations had reduced the total number of employees in the last four years.

4.3 Levels of Importance of Environmental Factors

The study sought to compare the environmental factors impacting on the Apex Public Crop Management Organisations. Respondents were therefore asked to rank the factors on a five point Likert Scale where 1 represented the least in

importance and 5 represented the most in importance. Mean scores for each factor were then calculated. The results were then cross tabulated to highlight the relative importance of each factor according to the main business activity and in total. Those that recorded a mean score of 3 and above appear under Table 4.3 below.

Table 4.3: Relative Importance of Environmental Factors

	PRINCIPAL BUSINESS ACTIVITY				Total No. of Organisations
	Regulatory	Marketing	Management	Service Provision	
No. of Organisations	3	2	1	1	7
Environmental Factor	Mean Scores				
Competition in the industry	3.7	5.0	4.0	4.0	4.1
Price fluctuations	3.7	4.0	5.0	3.0	3.9
Legislation	4.0	2.5	4.0	5.0	3.7
Rising costs of inputs	2.7	4.0	4.0	5.0	3.6
Government Divestiture	3.7	3.0	5.0	2.0	3.4
Poor/Low quality inputs	2.0	4.0	4.0	5.0	3.3
Poor infrastructure	3.3	3.5	4.0	1.0	3.1
Technology	3.0	3.5	5.0	2.0	3.0

As the above table shows, competition in the industry had mean scores that ranked it as number one in importance. Its importance was higher among the marketing organisations than the others. It was lowest among the regulatory organisations. Competition in the industry was mainly in the form of liberalized markets plus innovative and synthetics in the international markets.

Price fluctuations were second in importance. This was perceived more by the management and marketing organisations than the others. It was ranked lowest by the service provision organisations.

Legislation environmental factor was third in importance. The legislation most alluded to by organisations was the State Corporation Act establishing the parastatals themselves. It was said to be bureaucratic, outdated and as restrictive to the requisite management responses.

The fourth most important environmental factor according to mean scores was rising costs of inputs. This was ranked high in importance by most with the exception of the regulatory organisations. Those ranking it high had found it as a big contributor to increased production cost.

The government had divested its shareholding from the management organisation. This organisation scored this environment factor as of most important. In total, it was the fifth most important factor on mean scores. Apart from government divestiture, the discontinuation of budgetary support was also included here.

The management firm registered high mean scores across factors. Being a privatized firm, it might suggest more responsiveness to environmental changes. However, it was only one organisation and this might be misleading.

The other factors, in descending order of importance, were poor or low quality inputs, poor infrastructure and technology. Though scoring low, this last factor received the highest score by the management privatized organisation.

4.4 Responses To Environmental Factors In Strategy

The study sought to find out whether organisations changed their strategies to re-align themselves to the changes in the environment. The strategies used, number of organisations using the strategies and the percentage based on the total number of organisations interviewed (7) are shown in Table 4.4 below.

Table 4.4 Distribution of Organisations that Changed Strategies

Strategy	No. of Organisations Changed Strategy	%
Focused on marketing	6	86
Re-configured internal process	6	86
Commercialized operations/ Adopt private sector management style	5	71
Focused on core business	4	57
Adapted specialized technology	4	57
Product Quality/New product	4	57

The above table shows that over 50% of the organisations made a strategy change as a response to the changes in the environment. Most of the organisations responded to changes in the environmental factors by focusing on marketing or re-configuring internal processes. The other major strategic

response was commercialization of operations or adapted private sector management styles.

4.5 Responses in Structure

In line with changed strategies, the study's objective was to find out and document changes in structure, their form and why the changes were effected.

The results are tabulated below.

Table 4.5.1 Form Of Changes In Structure

Structure Factor	Organisations That			
	Reduced	Increased	Remained Same	Total
Number of employees	5	2	0	7
Proportion (%)	71	29	0	100
Number of managers	5	2	0	7
Proportion (%)	71	29	0	100
Number of managerial levels	6	0	1	7
Proportion (%)	86	0	13	100

All responding organisations made changes in structure. Most reduced the number of employees or the number of managers. In almost all the cases, the managerial levels were also reduced. There were however, two organisations that increased the number of managers and hence employees. Also four out of seven organisations increased the number of branches or product processing units.

The study sought to find out whether all the structural changes were as a response purely to strategy changes. Respondents were therefore asked why the changes had been undertaken. The results appear below.

Table 4.5.2 Objectives in Structure Changes

Objectives	No. of Organisations
Reduce cost	5
Political requirement	3
Meet regulatory demands	3
Meet consumer needs	6
Meet pressure groups demands	2
Compensate for loss of revenue	6
Improve infrastructure	2
Empower staff	3
Enhance continued supply	2
Improve profitability	5
Enhance innovation	4
Increase market share	3

As the above table shows, the objectives of structure changes were both strategic and operational.

Respondents were also asked to rate on a five point Likert Scale, the perceived changes of the structure change. The scales had 1 = less and 5 = more. The findings showing structure change results ranked using the mean scores based on the scores for the seven organisations appear under Table 4.5.3 below.

Table 4.5.3 Result of Structure Change

Structure Change Result	Total	Mean Score
Flexible	7	4.3
Flatter	7	4.3
Creativity	7	4.3
Meet corporate goals	7	4.1
Meet customer needs	7	4.3

Results of the structure changes ranged between a mean score of 4.1 and 4.3. This implies that the organisations became more flexible, flatter, encouraged more participation, creativity and meeting of corporate goals and customer needs.

CHAPTER FIVE: SUMMARY AND RECOMMENDATIONS

5.1 Introduction

This section contains a summary of the study findings. It also presents the conclusions arrived at and the study limitations. The last part of the chapter contains recommendations for further research.

5.2 Summary

Market factors and opening up of public bureaucracies were the major environmental factors having impact on the Apex Public Crop Management organisations. Most of these organisations responded with strategies and changed structures to match. The new strategies mainly affected the organisations' mission and product while the new structures were meant to support the changed strategies by allowing flexibility, innovation, participatory decision making and customer relevance.

5.3 Conclusions

The factors found to be of greatest impact were, competition, price fluctuations, legislation, rising costs of inputs (which make the products less competitive) and government divestiture. These factors could be summarized as market or consumer driven, semi-protected markets being opened to fierce competition

and public bureaucracies and monopolies being transferred to the private sector. This is line with the literature cited that places the last decade or so as characterized by liberalization and globalization leading to unprecedented competition.

The responses to environmental factors were both strategic and non-strategic. To re-align organisations to the changed environment, new strategies were formulated by most of the organisations. These in general included commercialization of operations or change in management styles, improvement of quality of product, enhancement of specialized technology usage, marketing focus, research and development, focus on core functions, sourcing procurement competitively and staff rationalization. Some organisations also realized the need to reduce cost of operations by use of cheaper methods while one organisation diversified into other products.

The reasons for responses to the environmental factors were both strategic and operational. It would indicate that organisations did not react to the turbulence in the business environment with only strategic responses. This is not peculiar to the Apex Public Crop Management Organisations. Studies on responses to the liberalized economy in Kenya support this (Republic of Kenya, 1992; Kombo, 1997; Koyio,1999; Abdullahi, 2000; Kioi, 2001; Isaboke, 2001; Chepkwony, 2001).

To match the formulated strategies used in responding to various environmental factors, organisations reacted by changing their structures. They therefore embarked on changing their structures by increasing numbers of their processing units or handling facilities, extension services or creating new functions.

Most of them also changed their structures in order to be more corporate goals driven, be flatter, allow flexibility, creativity, innovation, more participatory decision making and respond faster and relevantly to customer needs. This is in line with modern management as found out by Koyio in the study of strategy and structure relationship in Kenyan firms (Koyio, 1999).

5.4 Limitations

This research documents findings for seven organisations. The organisations represent the leading crops, the horticultural sector and those under irrigation. It would have been desirable to obtain information from some of the other organisations that manage other crops e.g. cotton and cashew nuts. These could not be traced through the post office, telephone or the Ministry of Agriculture. The crops they manage are also on the decline (Republic of Kenya, 2001). It might be that they were overwhelmed by environmental changes and collapsed. Such findings would contribute greatly to both literature and knowledge.

5.5 Recommendation for Further Research

The research findings affirm Ansoff's strategic success hypothesis stated under the conceptual framework under heading 2.5. What the findings cannot however explain, is whether the responses were formulated in a formalized way or whether the responses emerged as outcomes of processes. There is need for research in this area that was not in the scope of this research.

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APPENDIX 1: POPULATION OF INTEREST LIST

(i) RESPONDENTS

- ◆ National Irrigation Board
- ◆ Kenya Tea Development Agency Ltd.
- ◆ Horticultural Crop Development Authority
- ◆ National Cereals and Produce Board
- ◆ Pyrethrum Board of Kenya
- ◆ Coffee Board of Kenya
- ◆ The Tea Board of Kenya

(ii) NON – RESPONDENTS DESPITE REQUESTS

- ◆ Kenya Sisal Board
- ◆ Kenya Sugar Authority
- ◆ Nyayo Tea Zones Development Authority

(iii) COULD NOT BE TRACED

- ◆ Cotton Lint and Seed Marketing Board

APPENDIX 2: PERSONAL LETTER

B. M. Mathenge
P. O. Box 51040 – 00200
NAIROBI

9th October, 2002

Dear Sir,

RE: RESEARCH INFORMATION REQUEST

I write to introduce myself as a student of the University of Nairobi pursuing an MBA degree as explained in the attached letter from the same institution.

I humbly request information through the attached questionnaire. My area of research concerns strategy responses to business environmental changes by public or formerly public crop agriculture firms.

I would very much appreciate receipt of the completed questionnaire before 6th November, 2002 to enable analysis and compilation of my research findings.

I look forward to your response.

Yours faithfully

MBA STUDENT

B. M. Mathenge

APPENDIX 3 : OFFICIAL UNIVERSITY OF NAIROBI LETTER



UNIVERSITY OF NAIROBI FACULTY OF COMMERCE MBA PROGRAMME - LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22063 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE: 2ND OCTOBER 2002

TO WHOM IT MAY CONCERN

The bearer of this letter: B. M. MATHENGE
Registration No: DAI/P/7894/98
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



DR. MARTIN OGUTI
LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ak

APPENDIX 4: RESEARCH QUESTIONNAIRE

Questionnaire No.

--	--

Date

--	--	--

Name of Organisation : _____

SECTION 1: ORGANISATION PROFILE

Q1. Please indicate in which year your organisation was established?

Year:.....

Q2. Indicate whether your organisation is a;

Parastatal	1
Limited Company	2
Co-operative	3
Other (specify)	

Q3. Indicate the nature of ownership of the organisation

Local	1
Foreign	2
Both local & foreign	3

SHARE HOLDING

Q4. Who are the shareholders in the organisation and what proportional shares does each of them hold?

Government	1
Farmers	2
Societies	3
Factories	4
Others (Specify)	

Q5. What are the number of directors in the board and who do they represent?

SHAREHOLDERS	NUMBER
Government	
Farmers	
Unions	
Societies	
Factories	
Others (Specify)	

Q6. What is the current total number of employees?

--

Q7. Please indicate your principal business activity?

Regulatory	1
Management	2
Marketing	3
Other (specify)	

Q8. What other business activities if any is your organisation involved in?

Regulatory	1
Management	2
Marketing	3
Others (specify)	
None	0

Q9. What product or products are you involved in?

Coffee	1
Tea	2
Pyrethrum	3
Cashew nuts	4
Horticulture	5
Cotton	6
Sugar	7
Sisal	8
Rice	9
Other cereals	10
Others	

SECTION 3: RESPONSES IN STRATEGY

In the last ten years, has your organisation had to use the following strategies?

Q11. Focus on the core business?

Yes	No
1	2

Q12. Change in the marketing focus

Yes	No
1	2

Q13. Adapt to new technology?

Yes	No
1	2

Q14. Improve product quality or develop new products?

Yes	No
1	2

Q15. Commercialize or adapt to private sector management style?

Yes	No
1	2

Q16. Re-configure internal processes?

Yes	No
1	2

IF YES, how?

SECTION 4: RESPONSES IN STRUCTURE

Q17. Has the structure of your organisation had to change in the last ten years?

Yes	No
1	2

Q18. IF YES, why did it change?

- Reduce cost
- Political requirement
- Meet regulatory demands
- Meet consumer needs
- Meet pressure groups demand
- Compensate government revenue
- Improve infrastructure
- Empower staff
- Enhance continued supply
- Improve profitability
- Enhance innovation
- Increase market share

YES	NO
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2

Q19. What form of structure changes were undertaken?

- No. of branches/units
- No. of employees
- No. of managers
- No. of managerial levels

	Not change	Reduced	Increased
No. of branches/units	1	2	3
No. of employees	1	2	3
No. of managers	1	2	3
No. of managerial levels	1	2	3

Q20. After the changes in the structure, how would you describe the current structure?

	<u>More</u>		<u>Least</u>		
	<u>flexible</u>		<u>flexible</u>		
The organisation is:	1	2	3	4	5

	<u>Flatter</u>		<u>Tall</u>		
The organisation is:	1	2	3	4	5

	<u>More</u>		<u>Less</u>		
	<u>participation</u>		<u>participation</u>		
The organisation encourages:	1	2	3	4	5

	<u>More</u>		<u>Less</u>		
	<u>creativity</u>		<u>creativity</u>		
The organisation encourages:	1	2	3	4	5

	<u>More by</u>		<u>Less by corporate</u>		
	<u>corporate goals</u>		<u>goals</u>		
The organisation is driven:	1	2	3	4	5

	<u>Faster</u>		<u>Slower</u>		
The organisation responds to customer needs:	1	2	3	4	5

PERSONAL DETAILS

Name of Respondent :

Designation of Respondent :

Contact Address :