REAL-TIME STRATEGIC ISSUE MANAGEMENT PRACTICES BY LARGE SCALE TEA PRODUCERS IN KENYA

BY

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DECLARATION

I certify that this is my original work and has not been presented to any other University or college for the award of degree or diploma or for examination purposes.

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D61/9139/2006

This research project has been submitted with my approval as the University supervisor.

Signed _____   Date _9th November 2009_

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DEDICATION

This project is dedicated to my dad for his ever-present support for my education when I was just a kid and to my brothers for their encouragement.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

AGOA -	Africa's Growth Opportunity Act
BoD -	Board of Directors
CEO -	Chief Executive Officer
COMESA -	Common Market for East and Central Africa
EATTA –	East African Tea Trade Association
EAU -	East African Union
EUREP-GAP –	European Retailers Protocol for Good Agricultural Practices
GM -	General Manager
ISO -	International Organization for Standards
KHRC-	Kenya Human Rights Commission
KTDA –	Kenya Tea Development Agency
KTGA –	Kenya Tea Growers Association
NTZDC-	Nyayo Tea Zones Development Corporation
OGA -	Objective Gap Analysis
SBA –	Strategic Business Area
SF -	Strategic Foresight
SIM –	Strategic Issue Management
SIMS –	Strategic Issues Management System
SWOT-	Strengths, Weaknesses, Opportunities and Threats
TBK –	Tea Board of Kenya
TRFK –	Tea Research Foundation of Kenya

ABSTRACT

This study was on real-time strategic issue management practices by large scale tea producers in Kenya. It had two objectives namely; to determine the nature of real-time strategic issues that have affected the large tea firms in Kenya over the previous ten years and to establish the real-strategic issue management practices among these firms. The first objective was determined in three dimensions, that is, turbulence of environmental factors, importance of these factors and the direction and magnitude of impact of environmental events and developments. The second objective was pursued through investigating such environmental surveillance and monitoring, forecasting, issue processing, issue analysis etc. The study was deemed fit because today, business environments are full of surprises and firms need to be alert all the times in order to take advantage of opportunities that come their way and also shield themselves from strategic shocks.

The study was a census conducted using cross-sectional survey. The population consisted of all tea producers in Kenya which are members of EATTA. The total population had fifteen members and out of these, seven responded giving response rate of approximately 47%. Data was collected using self-administered mail questionnaires which were responded to by the person in charge of real-time strategic issue management systems in each firm. The data was analyzed using descriptive statistics and content analysis. Measures of central tendency, dispersion and frequencies were computed.

Findings showed that the environment in which these firms operate is changing but not at a rate that can be classified as surpriseful and unpredictable. However, politics and currency exchange rates showed the highest rate of change among the environmental factors studied. These two exhibited changes that can be described as discontinuous but predictable. The most important environmental factors to these firms are production costs, state of the economy, behaviour of buyers, tea auction prices and the strength of the local currency. Environmental factors that had the highest positive impact on these firms are mechanization of tea picking, ISO-Certification and liberalization of tea sub-sector. The biggest draw backs came from the rise in fertilizer costs, the current global financial crunch, exchange

rate fluctuation, the recent oil crisis, environmental degradation and generally high cost of doing business. On the second objective, the study showed that these firms practice real-time strategic issue management practices though there are individual differences on how they carry out the actual activities. The majority of the firms surveyed however lacked formalized real-time SIMS. Only two firms had formalized SIMS or department with one having a loosely organized system.

CHAPTER ONE: INTRODUCTION

1.1 Background

This study focused on Real Time Strategic Issue Management practices by large scale tea producers in Kenya. Real-time strategic issue management specializes in detecting surprisefull developments in the business environment through constant monitoring and surveillance; and execution of timely responses (Ansoff & McDonnell, 1990). The study was deemed timely at the juncture as business environments are full of surprises and instabilities the world over. Such instabilities include financial recession, fluctuations in international oil prices and currency strength, and regional integrations both locally and abroad to mention but a few.

Apart from relying on imported inputs such as fertilizers, tea producers in Kenya export large volumes of their produce and therefore changes beyond Kenyan borders should be of great concern these firms. All these transactions are conducted in foreign currency and fluctuations in the strength of the local currency against the major foreign currencies should be of significance to these firms. Following the liberalization of the tea sub sector and subsequent privatization and transformation of Kenya Tea Development Authority to the privately owned Kenya Tea Development Agency, a lot of changes were anticipated due to the free market economy. The withdrawal of the government as a competitor changed the landscape and ushered in a host of new opportunities, constraints and challenges.

1.1.1 Real Time Strategic Issue Management

Organizations, like living organisms do not exist in isolation but within surroundings that constitute their environment. These organizations depend on their environments for raw materials and other resources (Henderson, 1989), as well as profits as the environment provides the markets for their (organization's) products and/or services. External factors that form an organizations environment can be categorized into remote, industry and lastly the operating or task environment which together present opportunities and threats to an enterprise (Pearce & Robinson, 2005). While a firm may have very little influence on its remote environment, its industry and operating environments provide the competitive platform that it cannot afford to

ignore. Changes in any of the three categories of a firm's external environment and its internal environment should be of great concern to every firm.

Real time strategic issue management is based on the recognition and appreciation of the fact that the periodic systems of planning are no longer capable of detecting deviations in the environment of most companies and executing timely responses (Ansoff & McDonnel, 1990). This inability is attributed to the fact that business environments have become so turbulent that they are no longer predictable with any precision. Discontinuities continue to occur with increasing frequency (Ansoff, 1975). Ansoff argues that because modern planning technologies cannot be enough insurance against environmental surprises, the technology should be extended to guarantee such insurance. Today may not be the same as yesterday, and tomorrow may be very different from today. It is therefore today more relevant than ever, to understand the dynamics of how to respond to strategic issues, due to the increasingly fast-paced changes in the globalized world (Kajanto, Keijola, Kunnas, Laamanen & Maula, 2006).

Due to this turbulence in business environments, enterprises need to constantly monitor their internal and external environments, as well as trends in their performance in order to detect any discontinuities and instabilities that might have any significant impact on their businesses (Ansoff & McDonnel, 1990). This actually is the purpose of real-time strategic issue management systems. Tracking, monitoring, and managing priority issues is necessary for a firm's survival during turbulence (Perrott, 2008). This round-the-clock surveillance puts an organization in a state of strategic preparedness thus enabling quick responses to opportunities and threats presented by environmental dynamism through appropriate realignment of resources.

This reconfiguration of resources in order to either grasp opportunities or shield an organization against threats posed by the environment requires flexibility in plans, and creativity and innovativeness on the side of the management. Firms who ignore tracking environmental changes often find themselves faced with strategic surprises, a state of unfamiliar and threatening events which may be noticed only when the window of an opportunity is already closing or when the firm is already under attack (Ansoff, 1975). Ansoff defines strategic

surprises as sudden, urgent unfamiliar changes in the firm's perspective which threaten either a major profit loss or loss of opportunity.

Companies across all industries are faced with many disruptions from various quarters such as emerging technologies, politico-legal, socio-cultural shifts, economic changes, competition, and new business models (Rohrbeck & Gemünden, 2008). In order to survive, grow and remain relevant, organizations have no choice but to adapt to these changes. Like the real elephants in their ever-changing wilderness environment, it would be tragic for business organizations to fail to adapt to the new competitive environment (Rockmore, Zimmerer, Scarborough & Jones, 1996). Large organizations have been likened to elephants because of their sizes. Response to environmental changes during turbulent times requires frequent changes in strategy and paradigms. These changes, like dancing need proper coordination so that all parts of a single organization can move in harmony in one direction. Furthermore, like the elephants have for a long time been the undisputed kings of the jungle, these organizations have enjoyed dominance in their business environments and have conducted their businesses quite oblivious of competition. But all that is not only changing, but is doing so quite fast. Challenges, opportunities, threats and constraints come from anywhere anytime and organizations need to be on high alert if they are not to be left behind.

Real-time strategic issue management is not a replacement to the normal strategic management approach of periodic planning (Ansoff & McDonnell, 1990). These two systems are complementary. Real-time strategic issue management deals with probable discontinuities as it embraces discontinuities from all sources (Ansoff, 1975). It is a problem-focused continuous process that responds quickly to weak signals as feasible decisions are made based on available information. It is applicable in surprisefull and unpredictable situations when insurances against surprises are desired. On the other hand, Ansoff states that strategic planning deals with the firm's total strategy by focusing on products, market and technology. It responds to strong signals as strategic information needs come from decisions. It is an organization-focused plan which is prepared periodically and is applicable in repetitive and predictable environments and where major strategic reorientation is desired.

3

1.1.2 The Tea Industry in Kenya

World tea production is dominated by India, China, Sri Lanka, Indonesia and Kenya. These five countries combined are responsible for about 75% of the total world tea production (Kinyili, 2003). India is the largest producer and consumer of tea. In Africa, tea producing countries include Kenya, Malawi, Tanzania, Zimbabwe and South Africa. In Kenya, tea grows in high altitude areas (both east and west of the Rift Valley).

Tea was introduced in Kenya from India by a European settler called G.W.L. Caine in 1903 (Kegode, 2005). The country has cultivated tea commercially for over 80 years. With an annual production of about 300 million Kilograms, compared to 18 million at independence, Kenya is rated as the fourth largest tea producer and the second biggest exporter in the world after Sri Lanka. The country is responsible for 10% and 21% of the total world production and export respectively (Kinyili, 2003). The climatic conditions in Kenya enable the crop to be grown and harvested all year round with two peak seasons, that is, March to July, and October to December, coinciding with the country's rainy seasons.

The tea industry which either directly or indirectly employs at least 10% of Kenya's population is the largest single commodity sub-sector in the Agricultural sector which includes livestock and fisheries. Export volumes were 345,877,445Kgs and 383,443,886Kgs of tea in 2007 and 2008 which translated to slightly over KSh 43billions and KSh 63billions in value respectively (Tea Board of Kenya [TBK], 2009a). Tea is the leading single commodity foreign exchange earner and employer in Kenya. In fact it has been the leading foreign exchange earner until the year 2003 when it was overtaken by horticulture (Kinyili, 2003).

Tea farmers in Kenya are classified into two major categories, the smallholder farmers and large estate owners. Smallholder growers who process and market their crop through their own management agency, the Kenya Tea Development Agency (KTDA) Ltd produce about 60% of the total crop in the country. Large-scale estates are responsible for the balance of 40% (Kegode, 2005). This study targeted the large estate owners but also incorporated KTDA as the management agency for the former category and the state-owned Nyayo Tea Zones Development Corporation (NTZDC).

4

According to TBK (2009b), key institutions in the tea industry include the Tea Board of Kenya, Tea Research Foundation, Kenya Tea Development Agency, Kenya Tea Growers Association, Nyayo Tea Zones Development Corporation and the East Africa Tea Trade Association (EATTA). The government, through the ministry of Agriculture is also a major stakeholder. The Tea Board of Kenya (TBK) is the regulator of the industry in all aspects, that is, growing, research, processing, trade and promotion in both international and local markets. The board also disseminates information relating to tea and advises the government on all policy matters regarding the industry through the Ministry of Agriculture. The board monitors trade in tea through registration of any person dealing in the crop and coordinates training in all matters dealing with the tea industry (Kenya Human Rights Commission [KHRC], 2008). Through its technical arm the Tea Research Foundation of Kenya (TRFK), TBK conducts research on tea and advices growers on the control of pests and diseases, improvement of planting material, general husbandry, yields and quality. KHRC notes that TRFK promotes research and investigates problems related to tea and systems of husbandry associated with tea throughout Kenya including yield, quality and suitability of land in relation to planting.

Kenya Tea Development Agency (KTDA) Ltd. was previously a state corporation but was incorporated as a private company in the year 2000. KTDA is responsible for the provision of extension services, acquisition and distribution of production inputs on credit, credit acquisition, green leaf collection, processing and marketing of processed tea on behalf of smallholders. Currently, it manages 60 tea factories in the smallholder subsector serving over 400,000 growers. These factories are limited companies. Kenya Tea Growers Association (KTGA) was established by large-scale tea producers to promote common interest of its members in the cultivation and processing of tea. Established in 1931, KTGA is a voluntary organization of farmers with over 10 hectares of tea estates (Kegode, 2005). KTGA's other responsibility is to promote good industrial relations and sound wage policies. It lobbies and reinforces linkages with and between stakeholders on matters affecting large scale operations.

Nyayo Tea Zones Development Corporation (NTZDC) is a state corporation established to manage the tea belts planted around forests to act as buffer zones and therefore protect the

5

natural forests from human encroachment. It was created as a parastatal in 1986 through a legal notice and incorporated through an order under the State Corporations Act in 2002 (Eichener, 2007). In addition to protecting forests against further encroachment or illegal excisions, its other purposes are to help with partial reforestation with indigenous trees, grow fuel wood for consumption and to produce tea for revenue. It is therefore both a commercial and service entity that produces tea and fuel wood on commercial basis and creates buffer zone of tea, fuel wood and indigenous trees for forest protection and environmental conservation.

East Africa Tea Trade Association (EATTA) brings together tea producers, packers, brokers, warehousemen and buyers. Besides Kenya, it draws its membership from other countries such as Uganda, Tanzania, Rwanda, Malawi, Democratic Republic of Congo, Burundi, Zambia, Madagascar, Mozambique and Ethiopia. The Mombasa tea auction is conducted under its auspices. Apart from facilitating operations at the Mombasa Tea Auction, EATTA facilitates settlement of disputes within the trade, promotes the best interest of tea trade in Africa, compiles and circulates statistical information to assist members in their operations and promotes close relations within the tea industry (KHRC, 2008). Like KTGA, EATTA is a voluntary organization.

Tea brokers facilitate the sale of tea on behalf of tea producers (Kegode, 2005). Brokers offer tea at the Mombasa auction on behalf of producers by garden marks, each mark depicting the respective catchment area for the tea grown around it. Buyers who basically export the tea bid against themselves, with the highest bidder buying the whole lot bided for. According to Kegode, there has been an influx of unregulated tea brokers who buy tea cheaply from farmers only to later sell it to multinational processors. Brokers also taste the tea for the purpose of reporting to the producer, and also evaluate the quality based on short-lived parameters such as seasons and market conditions. Brokers therefore advise manufacturers on quality regularly as they visit factories for consultancy advice.

About 5% of Kenyan tea is sold locally after packing (Kinyili, 2003). The remaining 95% is exported mostly in bulk and only a small percentage is packaged for export. Some amount of tea is imported for blending with the local high quality tea for export. Kinyili observes that

10% of the total tea production is exported by producers directly through private arrangements with tea importers across the world. Over 84% of Kenya's tea is sold through the Mombasa tea auction, which is the second largest tea auction in the world after Sri Lanka's Colombo auction (Kegode, 2005). Pakistan has been the largest importer and consumer of Kenya's tea until recently when it was overtaken by Egypt and the United Kingdom. Other major importers include Afghanistan, Yemen, the Sudan, Ireland, the United Arabs Emirates, Iran, Russia, Netherlands and Poland.

1.2 Statement of the Research Problem

The concept of real time strategic issue management is relatively new. It has been necessitated by the fact that periodic systems of planning are no longer capable of perceiving and responding to surpriseful discontinuities in business environments in a timely manner (Ansoff, 1975; Ansoff & McDonnell, 1990). Ansoff (1965) observes that there is a planning horizon, a period within which organizations can construct forecasts within certain accuracy levels. However, Mintzberg (1994) argues that prediction is one of the fallacies of planning and that forecasting of certain discontinuities with some precision is impossible as visibility of the future is low. This calls for systems that can capture deviations and unanticipated developments in a firm's business environment.

During turbulent times, managers of large firms find themselves in a state of dilemma as far as positioning their firms in their business environments is concerned (Ansoff & McDonnell, 1990). This is so because a large firm needs to coordinate all its parts so that the whole firm can operate in harmony (Rockmore et al., 1996). This dilemma can be solved through continuous monitoring and surveillance of business environments so as to capture surpriseful events in good time. This way a firm will have enough time to prepare and execute timely response (Ansoff, 1975). Real time strategic issue management is a necessity for firms today and large scale tea producers in Kenya are no exception. The tea industry has faced various environmental changes such as rising production costs, fluctuation in currency strengths, technological innovations, global financial crunch, buyers shifting their attention else where, to mention but a few.

7

Real-time strategic issue management has previously attracted some scholars in Kenya notably Nganga (2001), Mkamunduli (2005) and Muya (2006). However, there has been no known documented study of the practices among large scale tea producers in Kenya. This study expanded on previous works by Ngang'a, Mkamunduli and Muya as it covered flexibility measures for real-time strategic response to issues, channels of communication for quick information flow, levels of knowledge about the issue at which organizations initiate response, roles performed by various players in processing real-time strategic issues and measures put in place by firms to ensure real-time detection, reporting and response to environmental deviations. This study sought to answer the following key questions; what is the nature of real-time strategic issues facing large scale tea producers in Kenya? And what are the real-time strategic issue management practices among large scale tea producers in Kenya?

1.3 Study Objectives
The study had the following objectives:
   i) To determine the nature of real-time strategic issues facing large scale tea producers in Kenya.
   ii) To establish real time strategic issue management practices among large scale tea producers in Kenya.

1.4 Scope of the study
The study covered the past ten years using 1999 as the base year. It focused on large scale tea producers in Kenya and management agencies such as Kenya Tea Development Agency and the state-owned Nyayo Tea Zones Development Corporation. It however excluded other industry players such as exporters, packers, brokers, warehousemen, smallholder farmers and regulators.

1.5 Significance of the Study
The study is important to management practitioners as it provides owners and managers of tea firms with information on the nature of environment they are operating in. From the findings, managers should know how to conduct their businesses and especially how to manage real-time

strategic issues. Potential investors can access some of the information they may need before venturing into the business.

To management scholars, this study adds on to the existing pool of knowledge on real-time strategic issue management practices. It also forms a basis for future research works. Management scholars should look beyond this in their endeavours to further their knowledge in this are.

The study is also significant to policy makers in the government and other high places. It provides information for needed for possible policy formulation and review. In this way, those responsible for policy formulation can go a long way in making the business environment more conducive.

CHAPTER TWO: LITERATURE REVIEW

2.1: The Concept of Strategy

The term strategy has its roots in ancient Greek. While there is some slight variation about the exact Greek word from which it derives, there seems to be an agreement on its original application. Weihrich and Koontz (2001) say that the term strategy is derived from the Greek word *strategos* meaning general while Stoner, Freeman and Gilbert Jr. (2003) say that it derives from the Greek *strategeia*, meaning the art or science of being a general. David (2005) on his part says that the word *strategos* which refers to a military general and combines *stratos* for army and *ago* meaning to lead, forms the root of the word strategy. Whether *Strategos* or *Strategeia*, and whatever the true meaning of the root word, there seems to be a consensus that its first application was in relation to war and therefore the history of strategic planning began in the military. Stoner et al. (2003, p. 267) go on to explain that:

> "Effective Greek generals needed to lead an army, win and hold territory, protect cities from invasion, wipe out the enemy and so forth. Each kind of strategy needed a different deployment of resources. Likewise an army's strategy could be defined as the pattern of actual actions that it took in response to the enemy. The Greeks knew that strategy was more than fighting battles. Effective generals had to determine the right lines of supply, decide when to fight and when not to fight and manage the army's relationships with citizens, diplomats and politicians. Effective generals not only had to plan but to act as well."

The passage has some key words that have been retained up to now in the application of the term strategy in the business world. For example, strategy has to do with wining, protecting the business against external threats, means of resource deployment, actions taken by an entity, and managing relationships with stakeholders. Strategy is about planning and action i.e. executing those plans.

Having been borrowed from the military, strategy entered the management literature as a way of referring to what one did to counter a competitor's actual or predicted moves (Steiner 1979).

10

Since the concept was adopted into management cycles, it has been adapted in quite diverse ways depending on the context of application. Though there may be no final, unambiguous definition of strategy, an exploration of some of the work done so far in this field as presented in the rest of this section should be able to shed light on how it is applied in the business world.

Chandler (1962) defines strategy as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. From the foregoing, strategy is both a goal-setting process, and a process for planning for the actions and resources needed for the attainment of these goals. This way, strategy can be seen as a clear articulation of where a firm wants to be (vision or aspirations) and what it takes to get there, that is, the desired end and the means by which an organization reaches this end.

Ansoff (1965) seeks to draw a dividing line between what he calls a firm's objectives and its strategy. However, he says the two are closely related as strategy (means) follows objectives (end). Since strategy can be evaluated, it follows that it can lead to revision of objectives. Ansoff argues that a firm needs to make strategic, administrative and operational decisions in its choice of strategy. Strategic decisions concern product-market aims, administrative decisions are about organizational infrastructure and lastly operating decisions concern budgeting, scheduling and resource control.

Steiner (1979) sees strategy in terms of what top management does which is of importance to the organization. He also sees strategy in terms of basic directional decisions about purposes and missions and has to do with the important actions to be taken in order to realize these directions. Steiner says strategy answers these basic questions; what should the organization be doing? What are the ends that an organization is seeking? And how should it reach these ends? Thus strategy has to do with top management's choice(s) for direction and the means of navigating a firm in that direction.

The core reason and spirit behind strategy formulation is coping with competition (Porter, 1979). Porter asserts that competition, which depends on the industry structure as determined

11

by five forces (the bargaining power of supplier, the bargaining power of the buyer, the jockeying for position, threat of new entrants and threat of substitute goods and services) is not necessarily bad luck. The goal of strategy is to position a company in the industry in a way that it can best defend itself against the forces or in a way that it can influence them in its favour. The strategic agenda of a company stems from understanding the underlying causes of these forces in an industry. Clearly, Porter sees strategy as a way of achieving competitive advantage over rivals and what a firm should do to attain desired profit levels.

Scholars like Andrews (1980) argue that corporate strategy is a pattern of decisions that determines and reveals the objectives, purposes, or goals of a firm, produces policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of organization it is or intends to be, and the nature of contribution it intends to make to its stakeholders. Andrews sees strategy as a process of goal-setting and plans needed to achieve those goals as an organization is guided by its own policies. He makes a distinction between corporate and business strategy. While strategy at corporate level defines the businesses a firm should be in, at the business level; strategy is about how the company will compete in the chosen businesses. Andrews believes corporate strategy is concerned with the unity, coherence and internal consistency of a firm's decisions, positioning of the firm in its environment to give it identity and the potential to succeed in its markets. He also says a firm should seek to benefit its various stakeholders.

Ansoff (1984) defines strategic management as a systematic approach for managing change, which consists of positioning of the firm through strategy and capability planning, real time strategic response through issue management, and systematic management of resistance during strategic implementations. Ansoff in this definition recognizes the need to respond quickly to sudden or unanticipated changes in external forces and to adapt the strategic plan to accommodate or minimize their effects. This actually is the essence of real time strategic management. The definition envisages the possibility of lack of ready acceptance (by other stakeholders) to the changes, and hence the need to manage resistance.

In a later work, Ansoff and McDonnell (1990) define strategy as a set of decision-making rules for guidance of organizational behaviour. They assert that strategy prepares the firm to face its complex external environment, while corporate capability develops responsiveness to anticipated threats and opportunities. This definition recognizes the relevance of a firm's external environment. Detection of discontinuities in the environment alone may not be sufficient if a firm does not have the requisite capabilities to execute prompt and appropriate responses to these changes (Cole, 2004).

Mintzberg (1994) differentiates strategic planning, which he calls an analysis process from strategic thinking, a synthesis process and argues that the former spoils the latter leading managers to confuse "real vision with manipulation of figures". He believes that this confusion is at the heart of the fall of strategic planning. His argument is that strategic planning as practiced is actually strategic programming which is an articulation and elaboration of strategies and visions which already exist. He advises that strategy-making process should entail capturing everything a manager learns from all sources including personal experiences, experiences from all members throughout the organization, market data, etc. All this is then synthesized into a vision of the direction an organization should take. This is what he refers to as strategic thinking. It should however be noted that Mintzberg's views here are not about strategy but the process of making one. He argues that instead of fixing eyes from the on-set on a particular goal or destination which an organization has to reach and then calculating what it has to do to get there, it would be better to bring everybody on board, take into consideration their preferences and in the process they will help shape the course of the journey.

Johnson, Scholes & Whittington (2006) define strategy as the *direction* and *scope* of an organization in the *long term*, which achieves *advantage* in a changing *environment* through its configuration of *resources and competences* with the aim of fulfilling *stakeholder* expectations (emphasis added). They see strategy as the search for strategic fit with the business environment and this search may have significant implications on the resource configuration of an organization. Johnson et al assert that correct positioning in relation to a firm's operating environment is very important for all organizations; be they small businesses trying to find a particular niche in a market, or multinational corporations seeking to buy up businesses that

have already found successful market positions. They say strategy also involves creating opportunities by building on an organization's resource and competences. This resource-based view of strategy is concerned with exploiting the strategic capability of an organization, in terms of the resources and competences, to provide competitive advantage and/yield new opportunities.

Apart from strategy being a goal-setting process, some important points come out very clearly from the many definitions that have emerged. One of them is that strategy is an interface between a firm and its environment. Companies which want to succeed need therefore to establish consistency between their goals and values on one hand and their external and internal environments on the other. Failure to create strategic fit between the firm and its external environment and of course between its resources and internal capabilities can lead to a disaster.

2.2: The Business Environment

The strategy of an organization depends, among other things on the environmental forces and the organization's strategic capability. That is to say that a firm's strategy is a function of both its external and internal environments. Ansoff and McDonnell (1990) observe that since the late 1950s and early 1960s, a new kind of turbulence has increasingly been witnessed. Due to this turbulence, there have been many changes in business environments thus posing major threats and/or opportunities to firms. Certain changes take place so fast that it has not been possible for the traditional periodic systems of planning to perceive and respond to the environmental opportunities and threats in good time. It is therefore necessary to have a system that can augment the deficiencies of the periodic systems of planning so that an organization can respond before a threat has made a devastating impact or an opportunity is gone. Late response can have a double loss to a firm in terms of both lost profits and/or the cost of reversing or remedying the damage or loss.

There are five levels of environmental turbulence namely; repetitive, expanding (slow incremental), changing (fast incremental), discontinuous (but predictable) and finally surpriseful (discontinuous and unpredictable) (Ansoff and McDonnel, 1990; Perrott, 2008). Each of these levels put certain demands on the firm and therefore need to be matched with

equal levels of strategic aggressiveness, which in turn must be supported by certain internal capabilities. Ansoff's strategic success hypothesis stipulates that a firm's performance potential is optimum when the aggressiveness of its strategic behaviour matches the environmental turbulence; the responsiveness of its capabilities matches the aggressiveness of its strategies, and when the various components of its capability are supportive of one another. According to Perrott, levels of turbulence will determine the type of response an organization needs to execute in order to survive and succeed.

Environmental turbulence is a measure of how changeable and predictable a firm's environment is (Ansoff & McDonnell, 1990). While changeability is measured in terms of complexity of a firm's environment and the relative novelty or newness of successive challenges the environment has for the firm, predictability is the measure of the rapidity of those changes and the visibility of the future. Complexity of the environment refers to the number of variables in that environment; rapidity of change is the ratio of the speed at which challenges evolve in comparison to the speed of the firm's response while visibility is simply the adequacy and the timeliness of information about the future.

For a company to remain relevant, it has to keep pace with changes in its business environment. There is therefore a concurrent need for simultaneous adaptation of a firm's architecture which may involve upgrades, changes in existing technologies or total replacement with new ones (Malhotra, 2005). The implication is that there is need for organizations to manage a balance between its environment, its strategies and its capabilities to implement those strategies. Where strategies lag behind the environment, a condition known as strategy gap (Ansoff & McDonnell, 1990; Perrott, 2008), an organization's ability to achieve its objectives is impeded. Existence of sufficient resources and capabilities to execute strategies avoid existence of capability gaps, a condition where internal organizational capabilities lag behind strategies. An organization which insists on producing the same old type of product despite changes in customer tastes and preferences has a strategy lag. At the same time, a firm that insists on highly specialized production systems while strategy is changing towards differentiation has a capability lag.

Johnson et al. (2006) observe that sometimes understanding a firm's operating environment may be difficult to managers. This may be so because; first, the environment exerts many different influences; second, high complexity attributed to the fact that many separate issues in the environment are interconnected and therefore do not occur in isolation and finally the pace of technological change and the speed of global communications mean more and faster change now than ever before. With such challenges facing managers today, they need to be very vigilant if they are to capture opportunities as they present themselves and at the same time shield their firms against any threats that may occur in their environments.

An organization's environment consists of the macro-environment (broad environmental factors that affect almost all organizations), its industry or sector (a group of organizations producing the same products or services), its competitors and markets and lastly the organization's internal environment (Johnson et al., 2006). Political, economic, social, technological, environmental (ecological) and legal factors constitute the macro-environment. Changes in any of these areas have a bearing on a firm's businesses. They assert that managers not only need to understand how environmental factors might impact on and drive change in general, but also the key drivers of change, the differential impact of these external influences, and drivers on particular industries, markets and individual organizations. Johnson et al. (2006, p. 69) define key drivers of change as the "forces likely to affect the structure of an industry, sector or market". Changes in these key drivers of change put demand on organizations and therefore influence their strategies. Yip (2003) identifies market globalization, globalization of government policies, cost globalization and global competition as the key drivers that are increasing globalization of certain industries and markets. Figure 1 shows the different layers of an organization's environment.
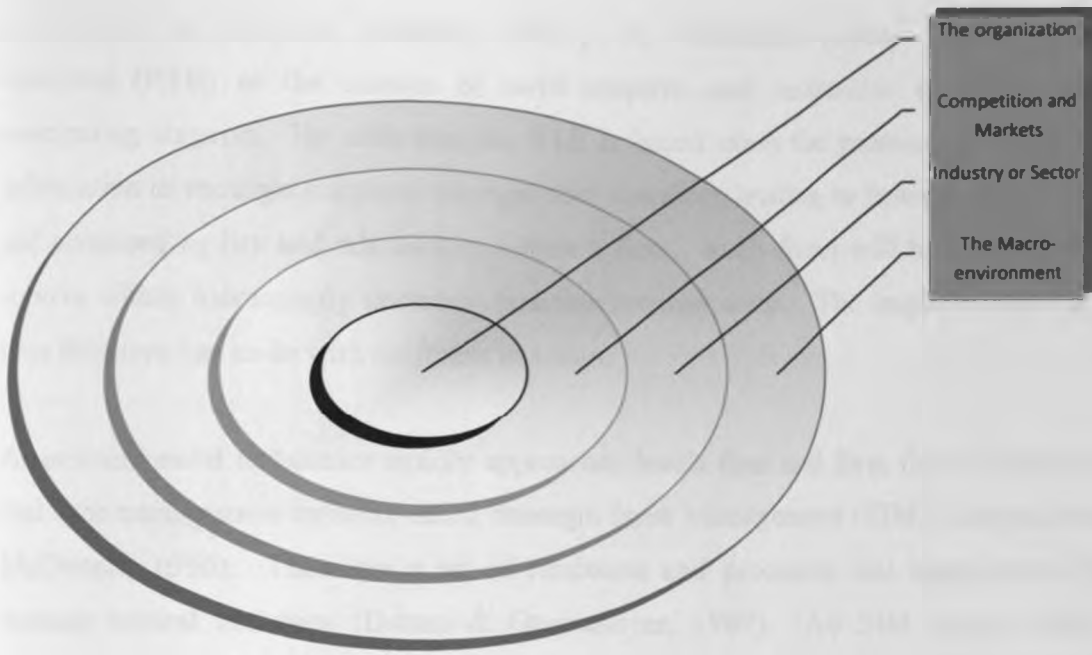
Figure 1: Layers of the Business Environment.
Adapted from Johnson et al (2006). **Exploring Corporate Strategy** ,7th
Edition (Enhanced Media Edition) Prentice Hall. Pg. 64

Managers do not have to sit and wait for opportunities to present themselves. Kim and Mauborgne (1999) argue that if organizations simply concentrate on competing head-to-head with competitive rivals, there will be competitive convergence where all players will find the environment tough and threatening. Instead, they should go out there and create the space they need in the market. They encourage managers to seek out opportunities in the business environment, which they call strategic gaps. This is possible when managers start to look across their defined boundaries of competition. By doing so, they will find unoccupied territories or strategic gaps, which are opportunities in the competitive environment that are not being fully exploited by competitors.

2.3: Real Time Strategic Issue Management

Real-time management, also referred to as ad hoc management is a set of immediate tasks and activities directed towards maintaining the functioning of the organization (Borovits & Segev, 1977). Real-time system is one which "controls an environment by receiving data, processing them, and taking action or returning results sufficiently quickly to affect the functioning of the

environment at that time" (Martin, 1967, p. 5). Malhotra (2005) describes a real-time enterprise (RTE) as the essence of swift adaptive and responsive enterprise capable of anticipating surprise. He adds that the RTE is based upon the premise of getting the right information to the right people at the right time therefore leading to faster and better decisions, and enhanced agility and adaptability within a firm. Such firms will be better positioned to survive within increasingly uncertain business environments. The implicit meaning of real-time therefore has to do with swiftness in action.

As environmental turbulence rapidly approaches levels four and five, firms have begun using real time management systems called Strategic Issue Management (SIM) systems (Ansoff and McDonnel, 1990). These are a set of structures and processes that organizations adopt to manage critical activities (Dutton & Ottensmeyer, 1987). An SIM system refers to the personnel and processes for early identification, analysis and fast response to surprising changes (called strategic issues), both inside and outside an enterprise (Baucus & Ottensmeyer, 1989; Ansoff & McDonnel, 1990). It functions more like what Rohrbeck & Gemünden (2008) have called Strategic Foresight (SF) system whose function is to warn an organization about unpleasant surprises and to identify emerging opportunities.

Ansoff and McDonnel (1990) define strategic issue as a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives. They observe that an issue may be welcome, i.e. an opportunity to grasp in the environment or an internal strength that may be exploited to internal advantage. An issue can also be unwelcome i.e. an external threat or an internal weakness that imperils continuing success and/or survival of the enterprise. Firms therefore need to monitor both their internal and external environments as well as performance trends on a continuous basis.

Although many definitions use words like *forthcoming* or *impending* thus creating the impression that the developments are in the future, some scholars suggest that strategic issues can still be "in the present". For example, Perrot (2008) defines strategic issues as events or forces, either inside or outside an organization which are likely to have an impact on its ability

to achieve its objectives. Strategic issues can be viewed as those fundamental challenges affecting an organization's mandates, missions and values; and products or services. For the purpose of this study, the latter view was adopted, that is, a strategic issue can either be current or forthcoming; here or still in the horizon. This view is also supported by Elter and Oecon's (2004) assertion that strategic issues emerge from events in the (present) context of the firm, from managers' perception of future opportunities and threats, and their ambitions in shaping the future. While it is advantageous to plan for a future event, it would be tragic to ignore current decline in sales or staff morale.

Strategic issues present the potential for change from the status quo in a firm's business environment (Oliver & Donnelly, 2007). Oliver and Donnelly observe that issues always have some degree of conflict and can generate stress, anxiety and confusion in organizations. Proper management of these issues is therefore very important at a time when the firm is under threat (Perrott, 2008). Whether the change will be positive or negative to a firm, whether the firm will win or lose or survive the conflict is dependant on the nature of the issue itself, and how well it is understood or managed.

Scholars differ on the number of stages or steps in the process of managing strategic issues. For instance, Ansoff & McDonnell (1990) give six, Oliver & Donnelly (2007) seven and Perrott (2008) gives five stages. This paragraph outlines the six steps or components as given by Ansoff & McDonnel (1990). First is the continuous surveillance of the environment to capture and report on various trends in a timely manner. The second step involves the estimation of the impact and urgency of trends, whose outcome is key strategic issues. These issues are presented to top management at frequent meetings. The same happens whenever a new major threat or opportunity is detected. The third step involves the sorting out of the issues. Those that are highly urgent and have far-reaching effects are acted upon immediately. Moderately urgent issues with far reaching effects are handled in the next planning cycle, while non-urgent issues that may have far reaching effects will continue to be monitored. Finally, those issues that have no impact are dropped from the list. The fourth step involves assigning the urgent issues for study and resolution either to existing organizational units or to special task forces. As the resolution is in progress, top management embarks on monitoring and up-

to-date periodic review of the key issue list as new priority issues emerge and others are dropped from the key issue list.

The foregoing discussions reveal that once issues have been sorted out, an organization can respond in four possible ways i.e. it may take no action, may choose to continue to monitor the issue, delay to act until the next planning cycle or execute an immediate action through priority project. However, Ansoff & McDonnell (1990) add a fifth possible response where an organization is acting on weak signals. They suggest that in weak signal management, a firm should respond step by step through a gradual commitment project as knowledge about the issue increases. This means that firms need to know not only the potential impact of an issue but also how much they know about it.

Oliver and Donnelly's (2007) seven-stage approach (discussed in this and the subsequent three paragraphs) starts with issue characterization. Subsequent stages are; strategic objective (initial, updated and final), force field analysis, stakeholder assessment, scenario mapping, key players assessment and SWOT analysis. All these stages lead to the development of an issue brief, final strategic objective and a tactical plan. Correct issue characterization is very crucial as different departments in an organization may see the same issue differently. This stage involves coming to a consensus on the core nature of the issue and the potential threat it poses. This ensures that the message carried (about the issue) to other interested parties is consistent. Perrott (2008) proposes that frameworks, workshops and processes which facilitate communication and awareness on critical issues and their potential impact should be used to prevent conflict and dissonance at a time when the wellbeing of the firm is threatened.

Setting the initial strategic objective involves identifying at an early stage what the business wants at the end of it all. As work continues, this objective is refined until a final strategic objective is set as considerations are made of what is actually practical or realistic and what is likely to happen. Oliver and Donnelly (2007) believe that because issues represent attempts to alter the status quo, a force field analysis is necessary. This involves listing, discussing and evaluating all the forces for and against the intended change, understanding issue source and in which direction it can be pushed and identifying both driving and resisting forces. Stakeholder

assessment is the process of identifying those who may influence what happens and those who may not have influence and will still be affected. This stage entails a thorough analysis of how various stakeholders will be affected and how they can influence the issue and perhaps their willingness to participate. The resulting list serves as a basis for communication strategies in the tactical plan.

Scenario mapping is a description of the world in which an organization may find itself operating thus showing potential routes an issue may take and possible results. Oliver & Donnelly (2007) advise that teams should not restrict themselves to the popular way of considering the worst, the best and the most likely scenarios but should strive to consider all possible cases and assign them the probabilities of occurrence. Scenarios that are worthy of further attention are examined to identify what factors or actions would cause the particular scenario to occur (helping you identify what you will need to influence) and what the scenario would cause (helping you to prepare for what you may need to do).

Although there are likely to be many stakeholders, still amongst them there are key players who need to be identified and located. These are those stakeholders who are likely to have the final say on a decision and hold the ultimate power to make scenarios happen or prevent them from happening. They can be found anywhere e.g. within the organization, in governments, political arena, regulatory bodies or even from among competitors. SWOT analysis is used to identify and compare internal strengths and weaknesses with external opportunities and threats. Tactical plans of work carry clear and focused instructions to implementers of actions an issue management strategy may call for. It details what will be done, when it will be done, who will do it and what are the requirements for doing it.

A keen look at the various stages in existing literature however reveals that some stages may be just activities under what some scholars may call distinct steps in the whole process. Perrot's (2008) assertion perhaps captures the very essentials of the process. He states that strategic issue processing starts with issue capture, then the review of the implications of the issue, then assessment of its importance. The process concludes with priority setting, action planning and execution.

Strategic Issue management systems exist in various forms in different organizations and contexts. While in some organizations they can be large and formalized, in others they take a mere informal system of identification of issues by top level executives (Dutton & Ottensmeyer, 1987). Formality is the extent to which SIM systems engage in systematic analyses, use structured models, and employ specialized personnel (Baucus & Ottensmeyer, 1989). Dutton and Ottensmeyer group SIM systems according to the types of issues these systems track and the scope of involvement in the process of adaptation. In terms of issue types, there are systems that are exclusively designed to monitor and respond to internal issues that arise from within an organizations' boundary while others are designed to monitor external strategic issues that arise from sources outside the firm. According to the scope of activities, there are passive and active SIM systems. While passive systems may make very little effort to alter internal processes or external forces, active ones are designed to actively shape decision outcomes or environmental forces.

Based on the type of issue a system is likely to handle and the scope of activities, Dutton & Ottensmeyer (1987) identify four major forms of SIM systems, that is, collectors, antennae, activators and interveners (see Figure 2). Collectors detect internal strategic issues and adopt a passive set of activities for SIM systems' participants while antennae perform passive roles but focus on external issues. Activators are active systems designed to monitor and act on internal issues while interveners are those SIM systems that perform active roles in the external environment. Dutton and Ottensmeyer advise that in order to ensure timely response, large organizations operating in turbulent internal and external environments should have systems that perform all the four activities.

```
                            Issue Source
                     Internal
                                              External

              ┌─────────────────┬──────────────────┐
   Passive    │ Collector       │ Antenna          │
              │                 │                  │
              │                 │                  │
              │                 │                  │
              ├─────────────────┼──────────────────┤
  s           │                 │                  │
  c           │                 │                  │
  o           │                 │                  │
  p           │                 │                  │
  e           │                 │                  │
   Active     │ Activator       │ Intervener       │
              │                 │                  │
              └─────────────────┴──────────────────┘
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Figure 2: Forms of Strategic Issue Management Systems.
Source: Dutton, J.E & Ottensmeyer, E. (1987) Strategic issue management
systems: Forms, functions & contexts. **Academy of Management
Review** -12(No. 2) p. 358

Real time strategic response is based on the appreciation that the periodic systems of managing an organization may no longer be capable of perceiving and responding to the threats and opportunities in a highly turbulent environment (Ansoff and McDonnel, 1990). The nature of strategic response of the firm enables it to reduce adverse effects or make the firm not miss an opportunity (Nganga, 2001). Turbulence in the environment ignites regular changes in the annual operating plans of companies. This necessitates revisions in operating budgets so that changes can be accommodated. A mechanistic view of the formal planning process does not tell managers everything that is going on in the internal positioning of the organization in its environment, is unable to forecast discontinuities, neither can it create novel strategies (Mintzberg, 1994; Cole, 2004).

Whenever most managers face complex and uncertain strategic issues, they tend to try to minimize the extent of uncertainty by looking for solutions based on familiarity. Johnson et al. (2006) however, caution that there might be some dangers associated with this approach as environmental change may not be gradual enough for incremental change to keep pace. If such incremental strategic change lags behind environmental change, the organization will get out of

line with its environment and, in time, will need more fundamental or transformational change. Such changes may be inadequate or come too late and the organization fails. Another danger is that organizations may become complacent i.e. instead of challenging what is happening around them with a view to creating new opportunities; they simply resign to being reactive. Newness and speed of environmental changes therefore call for real time preoccupation with strategic issues throughout the year. Companies need to have a key strategic issue list, which they need to review and update at least on a monthly basis (Ansoff & McDonnel 1990; Nganga, 2001). This is a list of threats and opportunities in order of their priority.

While strategic issue management (SIM) is desirable and critical in time of turbulence, it is not meant to replace periodic planning. It is emerging to fill a gap in periodic planning, as organizations need both systems in order to meet their objectives (Ansoff and McDonnel, 1990). Ansoff and McDonnell assert that while periodic planning concerns itself with determining the basic future thrusts of a firm and assuring coherence and cooperation among different parts of a complex enterprise, strategic issue management deals with deviations from these thrusts which may occur as a result of new opportunities, threats, strengths and weaknesses. So when both future thrust and turbulence present problems, then strategic management/planning needs to be combined with SIM system. The choice of which system to use is therefore dictated by the environmental turbulence/conditions.

When firms engage in forecasting, the expectation is that there would be swift response to threats and opportunities. However, as Ansoff and McDonnel (1990) note, many firms that engage in forecasting exhibit the same procrastination behaviour as the reactive firms. They suggest that the firm should start its responses as soon as the forecast has unambiguously identified an impending threat or opportunity.

Quite a number of factors may contribute to response delays. For example, Ansoff and McDonnel (1990) classify delays into systems delay, verification delay, political delay and unfamiliarity rejection delay. They note that systems delay, which they associate mainly with large firms, is attributed partly to time taken in observing, interpreting, collating, and transmitting information to responsible managers. These managers in turn take time to

communicate with one another in order to reach a common understanding. Time taken to process the decisions among the responsible groups and decision levels further determine the speed of reaction. Nganga (2001) established that the factor, which most determines the speed at which the manager takes corrective action, is information flow. He suggests that this speed can be increased by improving systems information flow through empowerment, delegation, responsibility management, bottom-up information flow, increasing informal interactions and opening up any bureaucratic tendencies.

Verification delay is a situation where managers tend to wait until they are sure that the threat is real and its impact is permanent. Political delay occurs when managers sometimes fight a delaying action to avoid becoming scapegoats, to gain breathing space in order to develop a line of defense, or to beat a retreat. They view accepting to change as an admission of failure and hence no one wants to be held answerable for the situation. Unfamiliarity rejection delay is attributed to the fact that many managers have learnt to trust only prior and familiar experiences and to reject unfamiliar ones as improbable. Johnson et al. (2006) point out that it may be difficult for managers to stand sufficiently apart from their own experiences and organization's culture in order to understand the strategic issues they face.

Ansoff and McDonnel (1990) suggest that early identification of surprising changes can be assured through continued preoccupation with strategic issues throughout the year; that is periodic review and updating of key strategic issues list, and continuous surveillance, both outside and inside the enterprise for issues that may arise in between the reviews. Information about strategic issues is gotten from the external environment, the evolutionary trends within a firm, and trends in its performance. Companies need to monitor strategic issues throughout the year in order to realize full potential of investing in strategic issue management (Muya, 2006). Mkamunduli (2005) adds that analysis of issues affecting an enterprise is not a one-time stop affair. Ansoff and McDonnell assert that all organizations operating in complex and rapidly changing environments should identify major environmental trends and possible major future discontinuities (such as breakthroughs in technology) which might have major impact on the organization. This environmental surveillance should be accompanied with identification of

25

important internal trends and events (strengths and weaknesses) which are expected to have important impact on the performance of the organization.

Real time strategic management ensures fast response to opportunities and threats thus detected. Ansoff and McDonnel (1990) suggest that to ensure fast response, firms should meet at least three conditions. One, the responsibility for managing the system should be assured by a senior management group, which has the resources and authority to initiate prompt action without unnecessary delays. The total resource investment made into managing a strategic issue contributes positively to the issue impact (Kajanto et al., 2006). Second, strategic issue management should cut across normal hierarchical lines. That is, senior management should be able to assign responsibilities for individual issues directly to units which are best equipped to deal with the issue even if it requires reaching across several hierarchies. Lastly, strategic issue management, being a planning and an action system, the assigned responsibilities should also be for resolving the issue.

2.4: Empirical Studies on Real-Time Strategic Issue Management

Nganga (2001) established factors that most determine real time strategic issue management are; company structure, company size, profitability, competition, top management, company infrastructure and technology in that order. Most of these factors determine in one way or another the speed at which information flows within a firm. Intensity of competition will determine the level of complacence while profitability is directly associated with resource level of an organization. As pointed out earlier, environmental surveillance would be futile if a firm lacks the resources required to execute timely response (Cole, 2004).

Nganga's (2001) study showed that ownership, whether foreign or local was irrelevant in Kenya as far as making real time strategic issue decisions was concerned. He concluded that quite a significant number of companies listed in the Nairobi Stock Exchange practiced real time strategic issue management. Muya (2006) on his part established that in Kenya, only international hotels practiced long term planning due to their affiliation to corporate office. Quite a large number of locally owned hotels do not practice long-range planning. He established that where a firm (hotel) had more than two branches, delegation of authority in

many cases was preferred in decision-making. According to Muya, hotels in Kenya make use of strategic issue management and monthly reviews of strategic issues raises the level of preparedness for management.

Flexibility is very vital for real time strategic response and therefore in turbulent time firms need to have flexible plans in order to adapt to changing environments (Mintzberg, 1994; Muya, 2006). Companies with flexible plans are likely to be dynamic, respond swiftly to changes in their environments, and thus remain competitive as opposed to those with rigid plans (Mkamunduli, 2005). This view is supported by Dibrell, Down and Bull (2007) who established that the most financially successful firms use a dynamic strategic planning process that combines key elements from both formalized and ad-hoc strategic planning through the addition of what they call strategic flex-points to allow for changes to their plans. On the other hand, their study showed that poorly performing firms often adopt a reactive approach to opportunities or threats compared to their more successful competitors and are unable or unwilling to change.

Dibrell et al. (2007) equate strategic flex-points to planned emergence where firms have the ability to create a structured planning process while concurrently building decentralized decision making in the strategic process thus creating effective planning capabilities in turbulent environments. For example, during turbulence, information flow does not have to follow the laid down procedures or chain of command. Any employee has the duty and freedom to report any strange happenings in the environment to decision makers regardless of their position. They established that firms had purposeful formalized process set in place to help managers act quickly to external triggers whenever they felt an immediate response was warranted.

2.5: Benefits of Real-Time Strategic Issue Management
One benefit of real-time strategic issue management is that it enables swift response to environmental surprises. SIM systems detect surprising changes as they become evident and respond in real-time without waiting for annual planning (Ansoff & McDonnell, 1990). An organization that is preoccupied with environmental surveillance throughout the year will

notice a discontinuity way ahead of reactive ones. Ansoff (1975) argues that how quickly an organization will respond is determined among other factors by how much knowledge the organization has about an issue. If the knowledge level is high, an organization may have time to execute an appropriate response as opposed to when information about the issue is still vague. This will enable managers to take advantage of opportunities or shield the firm from devastating environmental threats well ahead of competitors thus gaining a competitive edge.

Related to the above point is the issue of insurance against risk. An organization with a high level of information about an impending threat or opportunity is more likely to execute an appropriate response than one which is operating on a vague signal (Ansoff, 1975). This way SIM reduces uncertainty. It shields organizations from strategic shocks with unknown origins (Baucus & Ottensmeyer). It therefore prevents accumulated losses and extraordinary costs (Ansoff & McDonnell, 1990).

Dutton and Ottensmeyer (1987) observe that SIM systems can have a symbolic meaning. This way, they produce, manage and resolve meanings for strategic issues thus preserving the image of an organization as it conveys an image of a rational and effective organization. They sort and extract meaning from organization context when they are used by decision makers to create and communicate shared meanings.

2.6: Challenges of Real-Time Strategic Issue Management

One major challenge of SIM systems is that it will only function in an organization if managers accept to play a central role in it (Ansoff & McDonnel, 1990). This is a tall order in most organizations as mangers normally prefer the familiar over the unfamiliar (Ansoff & McDonnell, 1990; Johnson et al., 2006). Ansoff and McDonnell observe that it is also difficult to get managers to submit to the disciplines demanded by the system. The other challenge of SIM systems is that it requires managers to build networks within and outside the organization (Mkamunduli, 2005).

2.7: Real-Time Strategic Issue Management Tools of Analysis

Tools of analysis for real-time strategic issue management consist of impact/urgency estimation, Issue ranking and assignment, cross-impact analysis, SWOT analysis and the Eurequip matrix (Ansoff & McDonnell, 1990).

2.7.1 Impact/Urgency of Environmental Trends

Firms can assess the potential future impact of environmental trends on its future performance as well as estimate the probability and timing of the impact strength. This impact can be either positive or negative. Table 1 provides a framework of how firms can asses the impact and urgency of various environmental trends.

Table 1: Impact/urgency of environmental trends

Trends	Impact	Time between impact	Needed response time	Urgency	Issue management

Adapted from Ansoff H.& McDonnel E. (1990). **Implanting Strategic Management,** 2nd Edition. Prentice Hall Cambridge, United Kingdom. p. 375

2.7.2 Issue Impact/Urgency Estimation and Assignment

Companies also categorize strategic issues based on perceived urgency and anticipated impact and assign appropriate actions as shown in Figure 3. Ansoff and McDonnel (1990) suggest that urgency of an issue should be estimated by comparing the probable timing of the impact of an issue, with the time needed by the firm for a timely response. They give three levels of urgency, that is, urgent, delayable and postponable. The outcome of this exercise is a key issue list, which also shows the appropriate response to each issue.

Potential Impact

	Low	Moderate	High
Low	Drop from list	Periodic review	Monitor continuously
Significant	Drop or periodic review	Periodic review or on-going monitoring	Plan delayed response
High	Monitor and review	Monitor continuously / Second priority planning	Immediate response / Detailed planning & implementation

(Urgency is labelled along the vertical axis)

Figure 3: Issue Assignment.
Adapted from Perrot, B.E. (2008)
Managing strategy in turbulent environments.
Journal of General Management – 33(No.3) p. 29

2.7.3: Cross Impact Analysis

Issues do not occur in isolation but are interdependent, that is, some issues occur simultaneously (Ansoff & McDonnell, 1990; Johnson et al., 2006). It is therefore important to carry out a cross impact analysis. The outcome of cross impact analysis is clusters of events and trends which are likely to impact together on the firm (Ansoff & McDonnel 1990). This analysis allows the firm to identify probable future disasters; scenarios in which the firm may be severely damaged by a series of threats and weaknesses as well as opportunity scenarios or futures in which the firm will enjoy a series of attractive opportunities and strengths.

2.7.4: SWOT Analysis

SWOT analysis is a popular tool for identifying the threats and opportunities posed by each issue. It is used to match them to the historical strengths and weaknesses of the firm with

opportunities and threats presented by the environment (Ansoff & McDonnel, 1990; Perrott, 2008). A firm prioritizes opportunities that it can capture, and threats it can avoid using its relevant strengths. Opportunities that require capabilities that the firm is weak in go unpursued, and finally, capabilities that are too weak for response to serious threats are built up and converted to strengths. The outcome of SWOT analysis therefore are decisions on opportunities that will be pursued, threats that will be countered, and organizational weaknesses that will be remedied. Figure 4 is an illustration of a SWOT matrix.

		Opportunities				Threats			
		1	2	3	4	1	2	3	4
Strengths	1	High Priority Response				High Priority Response			
	2								
	3								
Weaknesses	1	Do not respond				Convert Weakness to Strength			
	2								
	3								

Figure 4: The SWOT matrix:
Adapted from Ansoff and McDonnel (1990).
Implanting Strategic Management (2nd Edition), Prentice Hall
Cambridge, United Kingdom. p. 377.

2.7.5: The Eurequip Matrix

This is an improvement of the SWOT method. It derives its name from the French consultancy firm that first used it. One major weakness of the SWOT method is that it assumes that historical strengths and weaknesses will continue to remain so into the future (Ansoff & McDonnel, 1990). This of course is a mistaken belief where environmental turbulence is high. Ansoff & McDonnel observe that today's strengths can become weaknesses tomorrow and vice versa depending on what the environment holds for a firm. Nganga (2001) observes that this tool is not used in Kenya while all the others mentioned above are widely applied. However Muya's (2006) study revealed at least one hotel in Kenya was using it.

The Eurequip matrix method envisages two scenarios called positive and negative synergy cases. In the positive synergy case shown in Figure 5, both strengths and weaknesses are useful for pursuing future opportunities or minimizing future impacts of threats.

		Opportunities				Threats			
		1	2	3	4	1	2	3	4
Strengths	1	a) Highest priority on opportunity b) Increase priority of building strength				a) Reduce priority of threat b) Maintain priority of building strength			
	2								
	3								
	4								
Weaknesses	1	a) High priority on opportunity b) Enhance weakness				a) Reduce priority of threat b) Enhance weakness			
	2								
	3								
	4								

Figure 5: Positive synergy:
  Adapted from Ansoff H. & McDonnel E. (1990)
  Implanting Strategic Management, 2nd Edition, Prentice Hall
  Cambridge, United Kingdom. p. 378.

The second scenario of negative synergy is illustrated in Figure 6. A firm finds itself in this situation when neither current strengths nor weaknesses are useful in dealing with threats and/or opportunities. Here historical strengths become less attractive; threats must be taken more seriously than in the past and new opportunities loss appeal (Ansoff and McDonnel, 1990). Companies in this situation need to identify new capabilities that must be developed in order to cope with new environmental challenges.

		Opportunities				Threats			
		1	2	3	4	1	2	3	4
Strengths	1	a) Low priorities on opportunities b) Low priorities on strengths				a) Increase priorities on threats. b) Low priorities on strengths			
	2								
	3								
	4								
Weakness	1	a) Low priorities on opportunities b) Low priorities on strengths				a)-Increase priorities on threats. b)-High priority on elimination of relevant weakness			
	2								
	3								
	4								
New capabilities		Assign high priorities to building new strengths				High priorities on new strengths			

Figure 6: Negative Synergy:
Adapted from Ansoff and McDonnell (1990).
Implanting Strategic Management, 2nd Edition. Prentice
Hall Cambridge, United Kingdom. P. 378

CHAPTER THREE: RESEARCH METHODOLOGY

3.1: Research Design

The study was conducted through a cross-sectional survey. A survey was chosen because the researcher's aim was to get comparable data from across the study units so as to discover similarities and differences in their practices (Cooper & Schindler, 2006).

3.2: Population

The population of study was all producers of tea in Kenya who are members of the East African Tea Trade Association (EATTA). According to a list obtained from EATTA offices in Mombasa, there were eighteen registered producer members based in Kenya, as at 6[th] February, 2009. However, after interacting with these organizations, the researcher learnt that one organization had registered itself and its two tea factories as separate entities while two others were under the same management. In such cases, information was sought from the headquarters only as it covered the others. The revised list of fifteen, organizations under the same management put together is appended as appendix II.

The study excluded other members of EATTA such as buyers, brokers, warehousemen, packers and other producer members based in Uganda, Tanzania, Rwanda, Malawi, Democratic Republic of Congo, Burundi, Zambia, Madagascar, Mozambique and Ethiopia. The study took the form of a census. Such a census was considered appropriate because the population of study was relatively small.

3.3: Data Collection

Primary data was collected using self-administered questionnaires (see appendix III). The data collection instruments were responded to by the person in charge of strategic issue management systems or any suitable officer(s) as the Chief Executive Officer deemed fit. In some cases, more than one officer filled the questionnaire. The semi-structured questionnaire was divided into three sections. Section I covered the firm's profile, section II, objective one and section three objective two. All the questionnaires were posted to the Chief Executive Officer of each organization who was requested to assign an appropriate officer to respond to it or respond to it

personally in the absence of such an officer. Enclosed together with each questionnaire was a self-addressed envelop with stamp to facilitate quick response.

E-mails were sent to all the study units informing them of the impending study two days after posting the data collection instruments. In about four weeks after posting, the researcher started receiving back some questionnaires. Reminder phone calls were made after one month and in some cases, the study units requested for another questionnaire. Personal visits were paid to some organizations that had not responded two months after postage and therefore the researcher personally picked some questionnaires.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1: Introduction

This chapter deals with the analysis and interpretation of the data collected in the survey. Out of the fifteen organizations, seven duly filled the questionnaires, giving a response rate of 47%. Many that did not respond claimed that being private organizations, they were not willing to divulge the kind of information the researcher was seeking. One claimed lack of time to fill the questionnaire, another one sent a letter to the effect that the organization was only two years old and did not have enough business experience to participate in the survey while one could not be traced even through the phone contacts provided by EATTA.

The study had two objectives, that is, to determine the nature of real-time strategic issues facing large scale tea producers in Kenya and to establish the real-time strategic issue management practices among these firms. The chapter is therefore organized into three major sections namely; the profile of the firms studies, the nature of real-time strategic issues and real-time strategic issue management practices. These sections are further divided into sub-sections.

4.2: Profile of Firms Studied

4.2.1: Ownership Type

The respondents were asked to describe their organizations in terms of ownership, that is, whether fully local (Kenyan), fully foreign or a mixture of foreign and local ownership. Table 2 shows the response.

Table 2: Company Ownership

Ownership	Frequency	Per cent
Fully local	4	57
Fully foreign	0	0
Mixture of foreign & Local	3	43
Total	7	100

Information in Table 2 shows that out of the seven firms, four (57%) were fully locally owned, three (43%) had a mixture of both foreign and local ownership while none (0%) is fully foreign-owned.

4.2.2: Presence of a Corporate Parent

The respondents were asked to state whether or not their company had a corporate parent. Table 3 shows the results.

Table 3: Corporate Parenting

Corporate parent	Frequency	Per cent
Have corporate parent	5	71
No corporate parent	2	29
Total	7	100

From Table 3, five of the firms have corporate parents while two do not have.

4.2.3: Number of Years in Operation in Kenya

The respondents were asked to state when their company started operating in Kenya. From this information, the number of years of operation was computed for each organization. Table 4 shows the results.

Table 4: Years of Operation in Kenya

Years of operation	Frequency	Per cent
1-20	0	0
21-40	1	14
41-60	3	43
61-80	3	43
More than Eighty years	0	0
Total	7	100

Table 4 shows that none of the firms has been in operation for over 80 years, neither has any been operating for under 20 years. Three have been operating for between 41 and 60 years,

while the same number has been in existence for between 61 and 80 years. Only one has been in operation for between 21 and 40 years.

4.2.4: Number of Employees in Kenya

The respondents were asked to indicate the number of employees they have (in the Kenyan branch. The results are shown in Table 5.

Table 5: Employees in the Kenyan Branch

Number of Employees	Frequency	Per cent
Less than 1000	2	29
1001 - 2000	1	14
2001-3000	1	14
3001 - 4000	0	0
4001 - 5000	2	29
More than 5000	1	14
Total	7	100

Table 5 shows that two firms have less than one thousand employees, another two have between four thousand and one and five thousand employees while one company each has between a thousand and one and two thousand and between two thousand and one and three thousand employees respectively. Only one organization has over five thousand employees.

4.2.5: Number of Branches

Only two respondents indicated that their firms have six and seventeen branches in Kenya respectively. The rest have only one area of operation. However, one organization indicated that it has three branches outside Kenya.

4.2.6: Number of Tea Processing Factories

Apart from a corporate organization which has sixty tea processing factories, the rest have less than five, with two indicating that they have one each, two have two each and only one has four. One organization is in the process of constructing their first one which is expected to get finished this year.

4.2.7: Average Annual Production

The respondents were asked to indicate the average annual output of tea leaves. Table 6 shows the response.

Table 6: Average Annual Production

Average Production (Millions Kgs/year)	Frequency	Per cent
1-5	2	29
6-10	1	14
11-15	2	29
16-20	1	14
More than 20	1	14
Total	7	100

Table 6 shows that two firms produce between one million and five million kilograms of tea yearly, the same number produces between eleven million and fifteen million kilograms of made tea. A company each, produces between six and ten million, sixteen and twenty million and over twenty millions kilograms per year. It should however be noted that most of these production figures were for last year as production normally fluctuates.

4.2.8: Tea Plantation Size

Table 7 shows the sizes of tea plantations as given by the respondents.

Table 7: Plantation Size

Size (Ha)	Frequency	Per cent
Less than 1000	1	14
1000-2000	3	43
2000-3000	2	29
More than 3000	1	14
Total	7	100

Information in Table 7 shows that only one organization has less than 1000 hectares of tea plantation. Three and two have between 1000 and 2000 and 2000 and 3000 hectares of tea

plantations respectively. The one with more than 3000 hectares is actually a corporately owned company, which manages on behalf of small holders. It reported a cumulative plantation size of 95,000ha.

4.2.9: Activities Undertaken in the Tea Value Chain

The respondents were asked to indicate by checking the activities they undertake in the tea value chain in addition to production. Table 8 shows the results.

Table 8: Activities in the Tea Value Chain

Activity	Frequency	Per cent
Processing	6	86
Packaging	5	71
Sell locally	5	71
Exporting	6	86
Blending	2	29
Warehousing	2	29

From Table 8, it is evident that processing and export is undertaken by six firms while packaging and selling locally are each done by five firms. Blending and warehousing are done each undertaken by two firms.

4.2.10: Other Businesses

The respondents were asked to indicate other businesses in their portfolio apart from tea. The types of businesses varied but six out of the seven respondents indicated that their firms have other businesses within their portfolio.

4.3: Nature of Real-Time Strategic Issues

The first objective was to determine the nature of real-time strategic issues that have affected large scale tea producers in Kenya over the last ten years. The nature of these issues was determined in three dimensions; one, the rate of change of environmental factors estimated by turbulence levels; two, the level of importance of various environmental factors to the

organizations' tea business; and lastly the implication (whether strength, weakness, opportunity or threat) and level of impact of certain environmental developments and events to these organizations.

4.3.1: Rate of Change of Environmental Factors

The respondents were asked to indicate the rate of change in certain environmental factors as they relate to their business. The measurements were taken on a five point scale where 1= Repetitive (factor not changing), 2= Expanding (Factor is changing slowly and incrementally), 3= Changing (the factor is changing fast and incrementally), 4 = Discontinuous but predictable change, and 5 = Surprising (the change is discontinuous and unpredictable).

The results were analyzed by computation of mean scores and standard deviations. The higher the mean score the more rapid the rate of change. Table 9 is a summary of the results.

Table 9: Rate of Change in the Environment

Environmental factor	Mean	SD
Political factors	4.14	0.90
Government policies	2.57	0.79
Regulatory & legal factors	2.71	0.75
Labour movements' demands	2.57	0.53
Processing & production technology	2.71	0.49
Labour vs. capital intensiveness	2.71	0.49
Socio-cultural & Demographic factors	2.57	1.40
Society's attitude towards business entities	2.26	0.95
Economic factors	2.71	0.49
Environmental/ecological factors	2.86	0.90
World tea prices	3.00	1.91
Mombasa tea auction prices	3.00	1.63
Competition	2.86	1.35
Customer/buyer factors	3.00	0.82
Other market conditions	3.00	1.00

Table 9 Continues

Supplier factors	2.71	0.49
Cost of inputs	3.00	0.00
General cost of production	3.00	0.00
Overall cost of doing business	2.86	0.38
Labour market conditions	3.00	0.58
Skills required	2.43	0.98
Shareholder activism	2.71	1.50
Employee activism	2.71	1.38
Senior management's attitude towards junior employees	1.86	0.69
Internal structures, systems & complexity	2.14	0.69
Product diversification	2.57	0.79
Company strategies	2.71	0.49
Substitute products	2.14	0.38
Currency strength	4.00	1.15
Insecurity	3.00	1.53
Organizational values & norms	2.29	0.49

From Table 9, it is evident that none of the environmental factors hit level five of environmental turbulence (surpriseful, discontinuous and unpredictable) and none was repetitive (showed no change at all) over the past ten years. However, the survey shows that the most turbulent factors that affected tea producers are politics and currency strength with mean scores of 4.14 and 4.0 respectively. These factors showed discontinuous but predictable change. These factors were followed closely by tea prices (both at the international market and at the Mombasa auction), customer behavior and other market conditions, cost of inputs plus general production costs, changes in the labour market and insecurity all of which had a mean score of 3.0 implying fast and incremental change.

The least changing factors are senior management's attitude towards junior employees at 1.86, substitute products and internal structures and systems complexity both at 2.14, organizational

values and society's attitude towards businesses, both at 2.29 and skills required with a mean score of 2.43. These factors exhibited slow and incremental changes.

On the free response section, respondents described changes witnessed since 1999 as irregular and unfavourable, characterized by volatile exchange rates and rising costs of production. One respondent summarized the changes as fast and incremental. However, another one commented that though the changes were there, there were no major surprises as compared to the period between mid to late 1990s.

4.3.2: Level of Importance of Environmental Factors

A list of sixteen factors was presented to the respondents who were asked to rank the factors on a scale of 1-16 according to their level of importance to the respondents' tea business. The data was analyzed by computation of mean scores and standard deviations with the factor with the lowest mean score being the most important. The results are presented in Table 10.

Table 10: Importance of Environmental Factors

Environmental Factor	Mean	SD
Politics & governance	6.29	4.68
Relevant regulations	6.43	4.28
Economic factors	4.43	3.36
Changes in buyer behaviour	4.71	3.68
Employee morale	5.71	5.38
Production costs	2.86	1.86
Socio-cultural factors	10.80	6.15
Environmental & ecological factors	6.00	5.59
Production & processing tech.	6.33	3.50
Information Communication Technology	7.00	6.75
Competition	6.83	5.04
Infrastructure	6.33	5.82
Exchange Rates	5.33	4.80
Mombasa tea auction prices	5.17	5.34
World tea prices	5.50	6.32
Security	7.17	6.15

Table 10 shows that the most important factor to large scale tea producers in Kenya today is cost of production with a mean score of 2.86. The state of economy (4.43), the behavior of buyers (4.71), prices at the Mombasa tea auction (5.17), and currency strength (5.33) complete the top five most important environmental factors. The least important are socio-cultural factors (10.83), security (7.17), Information Communication Technology (7.0), competition (6.83) and relevant regulations (6.43) in that order.

4.3.3: Impact of Environmental Developments and Events

A list of certain developments and events was provided to the respondents who were asked to indicate what these events and developments mean to their businesses, that is, whether they are opportunities, threats, strengths or weaknesses and to state the level of impact of each one of them. The respondents were also asked to add as many developments and events as they could. The level of impact was estimated on a scale of 1-4 where 1= No impact, 2= Minor impact, 3 = Medium (moderate) impact and 4 = Major impact. Data on the classification of events and developments was analyzed by determining frequencies and percentages while that on impact levels was analyzed by computing mean scores and standard deviations. Table 11 shows the results where the higher the mean score the greater the level of impact. In the table, opportunities and strengths are grouped together as events and developments with positive impact and threats and weaknesses are also grouped together as events and developments with negative impact.

Table 11: Impact of Environmental Developments and Events

Environmental Events and Developments	Positive Impact		Negative Impact	
	Frequency	Mean of Impact	Frequency	Mean of Impact
Liberalization of the tea sector	7	3.50	0	0
Globalization	6	3.20	1	4.00
COMESA/EAU Protocols	7	2.67	0	0
Regional integrations and trade agreements in major tea markets	6	2.50	1	1.00
Change of regime in America	7	2.43	0	0
African Growth Opportunity Act (AGOA)	7	2.57	0	0
Changing consumer behaviour	2	4.00	5	3.00
Mechanization of tea picking	6	3.83	1	1.00
New labour laws	1	2.00	6	3.83
New tea act/regulations	3	3.33	4	3.25
Cost of doing business	0	0	7	3.86
Piracy along the Somalia coast	0	0	7	3.00
The recent oil crisis	0	0	7	3.86
Rising fertilizer cost	0	0	7	4.00
Post election skirmishes	0	0	7	3.29
Currency strength fluctuation	1*	4.00	7	3.86
Global financial crunch	0	0	7	3.86
Inflation	0	0	7	3.71
EUREP-GAP	3	3.00	1	3.00
Genetic engineering	1	4.00	3	1.67
Food safety awareness	6	3.50	0	0
ISO Certification	6	3.67	0	0
Environmental degradation	0	0	6	3.86
Employee activism	1	3.00	5	3.20
Stevia	2	3.00	1	3.00

*One respondent feels that fluctuation in the strength of the local
currency can be either positive or negative.

From Table 11, all the respondents agree that liberalization of the tea sub-sector, both the Common Market for Eastern and Southern Africa (COMESA) and the East African Union (EAU), change of regime in America, the African Growth Opportunity Act (AGOA) all have positive impact. Six out of the seven respondents see globalization, regional integrations and trade pacts within major world tea market, mechanization of tea picking, ISO-Certification and

increased concern by consumers about food safety issues as positive developments. The European Retailers Protocol for Good Agricultural Practices (EUREP-GAP), the recently introduced tea regulations are viewed as positive developments by only three firms.

Events and developments that are viewed as negative by all the seven respondents are cost of doing business, piracy along the coastline of Somali, the recent oil crisis and the rising cost of fertilizers,. Others are post elections skirmishes, currency strength fluctuation, the global financial crunch and rising inflation. New labour laws and environmental degradation are seen by six respondents as having negative impact while employees' agitation for more rights and recognition and changing consumer behavior are seen as negative developments by five respondents. Genetic engineering is viewed as a threat by three firms while one feels it is an opportunity.

On the newly introduced tea regulations, the respondents were sharply divided on the direction of their impact. While four firms see them as a threat and therefore negative, three respondents actually feel that they represent a move in the right direction. Stevia, a newly introduced sugar-producing crop that does well in tea growing areas is viewed as an opportunity by two firms with one seeing it as a threat.

On the level of impact, the development with the greatest positive impact has been the mechanization of tea picking with a mean score of 3.83. ISO-Certification (3.67), liberalization of the tea sub-sector and food safety awareness, both with a mean score of 3.50 complete the list of developments with major positive impact. Globalization (3.20), EUREP-GAP (3.00), Stevia (3.00), COMESA/EAU integration (2.67), AGOA (2.57) and regional integrations in major tea markets (2.50) are the developments that have had moderate positive impact on large scale tea producers over the last ten years.

Among the developments with negative impact, rising fertilizer cost with a mean score of 4.00 has had the biggest impact on large scale tea producers in Kenya. It is followed by the cost of doing business, the recent oil crisis, currency strength fluctuation, the current global financial crunch and environmental degradation, all with a mean of 3.86. The new labour laws (3.83)

and rising inflation (3.71) complete the list of developments with major negative impact. The early 2008 post elections chaos (3.29), the new tea regulations (3.25) employee activism (3.20), changing consumer behavior and piracy along the coast of Somali both with a mean score of 3.00 are seen as negative developments with moderate impact. The controversial genetic engineering with a mean score of 1.67 is likely to have a minor impact on this industry. To avoid confusion, the rankings in the previous two paragraphs have been limited to the direction of impact (whether positive or negative) given by the majority of the respondents.

4.4: Real-Time Strategic Issue Management Practices

The study's second objective was to establish the real-time strategic issue management practices among large scale tea producers in Kenya. The practices were established in various ways such as the frequency of revision of long-range and short term plans, and flexibility measures in operating plans and budgets. Other dimensions were the extent of formalization of real-time strategic issue management systems (SIMS), environmental surveillance and monitoring, forecasting techniques and scope of intervention in the business environment. Also covered were tools for analyzing real-time strategic issues, factors considered when estimating the impact of an issue, steps in issue processing, statuses of knowledge level at which response is initiated, communication channels and measures put in place to ensure real-time detection, reporting and response to deviations in business environments. Under this objective, the role of corporate parents, usefulness of certain internal resources, the frequency of certain real-time responses over the previous ten years, is prevailing modes of making critical and urgent decisions, speed of management response and responsibilities of employees in managing real-time strategic issues. Lastly, flexibility measures and consensus building were also investigated

4.4.1 Long Range planning

The respondents were asked to state whether or not their organizations prepare long range plans. Table 12a shows the responses.

Table 12a: Long Range Planning

Response	Frequency	Per cent
Have long range plans	7	100
No long range plans	0	0.00
Total	7	100

Table 12a shows that 100% of the firms prepare long range plans.

4.4.1.1: Length of Planning Horizons

The respondents were then asked to indicate the period covered by these long range plans. Table 12b shows a summary of the responses.

Table 12b: Planning Horizons

Years	Frequency	Per cent
2	1	14
5	5	72
More than 5 years	1	14
Total	7	99

From Table 12b, 72% of the respondents, that is, five have long range plans that cover five years. One firm plans for over 5 years while another one actually prepares a medium term plan that lasts for as short as 2 years.

4.4.1.2: Frequency of Reviewing Long Range Plans

The respondents were asked how often they review these long-range plans. The data was analyzed by calculating frequencies as shown in Table 12c.

Table 12c: Review of Long-Range Plans

Interval of Review	Frequency	Per cent
Yearly	3	43
Semi-annually	3	43
Quarterly	1	14
Monthly	0	0
Any time as need arises	1*	14*
Total	7	100

*In addition to reviewing its plans every year, one respondent stated that it does so any time need arises.

Table 12c shows that 43% of the respondents review their long term plans yearly while the same proportion does so semi-annually. 14% review these plans on a quarterly basis.

4.4.1.3: Visibility of the Environment within Planning Horizons

The respondents were asked to state the degree of visibility within their planning horizons. The responses were rated on a percentage scale with the lowest being the most invisible and therefore more difficult situation to accurately predict the future in. Table 12d shows the results.

Table 12d: Visibility within Planning Horizons

Visibility (%)	Frequency	Per cent
0-25	0	0
26-50	2	29
51-75	4	57
76-100	1	14
Total	7	100

Table 12d shows that the highest percentage (57%) of the respondents can predict their future within their planning horizon with a precision of between 51-75%. 29% and 14% can do so

with a precision of 26-50% and 76-100% respectively. Using class mid points to calculate the averages, the mean visibility was found to be 58.93% hence lying between 51-75%.

4.4.2: Preparation of Short-Term Plans

Respondents were then asked to indicate the length of their short term (operating) plans. 86% (six out of seven) indicated that their short term plans last one year with only one (14%) firm preparing short term plans lasting two years.

4.4.2.1: Frequency of Reviewing Short Term Plans

The respondents were asked to indicate how often they review these short-term plans. The responses are shown in Table 13.

Table 13: Review of Short-Term Plans

Frequency of Review	Frequency	Per cent
Monthly	2	29
Quarterly	4	57
Semi-annually	1	14
Total	7	100

From Table 13, 57% of the respondents review their operating plans on a quarterly basis, 29% on a monthly basis while 14 % do so semi-annually.

4.4.2.2: Flexibility Measures in Budgets and Plans

When asked how they achieve flexibility in their plans and budgets so that as respond quickly to surprises, the respondents gave varied responses. Flexibility is ensured through review of monthly results and making appropriate adjustments and continuous monitoring of the business environment, especially the tea auction prices. One organization indicated that they have adopted zero-based budgeting system and that they review their plans regularly. Another method is internal borrowing from companies under the same management as well as maintaining good and cordial relationships with financial institutions. Strategic business units are also empowered to review and revise budgets.

4.4.3: Formalization of Real-Time Strategic Issue Management System (SIMS)

The respondents were given four statements describing various levels or extent of SIMS formalization and asked to indicate which one was true about their organization. The responses were analyzed in form of frequencies and percentages as shown in Table 14.

Table 14: Formalization of Real-Time SIMS

Extent of formalization	Frequency	Per cent
Existence of a formally organized SIM department/system	2	29
Have a loosely organized SIM system or department	1	14
No organized SIM department/system but activities are undertaken	4	57
Total	7	100

From Table 14, it can be seen that the majority, that is, four out of seven organizations do not have formal systems for managing real-time strategic issues but the activities are undertaken all the same, two have formally organized systems while one has loosely organized systems.

Those with formalized systems were asked to state the name of the department, the title of the person heading it and the number of employees in that department. The activities are carried out by a strategic planning committee in one firm and corporate communications department in the other. The strategic planning committee, a committee of three is headed by the General Manager who chairs it while the corporate communications department is headed by the head of corporate affairs and the department has five employees.

4.4.4: Areas Studied for Deviations

A list of areas was provided and the respondents asked to state whether or not they study them for deviations. The results are given in Table 15.

Table 15: Areas Studied

Areas	Frequency	Per cent
External environment	7	100
Internal environment & capabilities	7	100
Performance trends	7	100

Table 15 shows that 100% of the respondents study external and internal environments for deviations including internal capabilities and performance trends. One respondent stressed that weather patterns are of significant importance to them.

4.4.5: Level and Scope of Intervention in the Environment

The respondents were asked to state whether or not in their endeavors to respond to real-time strategic issues, they intervene actively or passively in the internal and external environments. The results were computed into frequencies and percentages as given in Table 16.

Table 16: Level and Scope of Intervention

Level	Frequency	Per cent
Passive intervention in the internal environment	7	100
Passive intervention in the external environment	6	86
Active intervention in the internal environment	6	86
Active intervention in the external environment	6	86

Table 16 shows that 100% of the firms have systems that passively intervene in the internal environment to correct deviations. Active intervention in both external and internal environments and passive intervention in the external environment are undertaken by six out the seven firms. It is worth noting that one organization indicated that it only passively intervenes in its internal environment.

4.4.6: Techniques and Methods of Studying the Business Environment

The respondents were given a list of techniques and methods for surveying and monitoring the business environment and asked to indicate the methods they use. The results are given in Table 17.

Table 17: Methods of Studying the Environment

Technique/Method	Frequency	Per cent
Print media	6	86
Electronic media	6	86
Marketing research	4	57
Customer analysis	7	100
Competitor analysis	6	86
Market intelligence	5	71
Internet research	2	29
Scouting the external environment	5	71
Performance monitoring	7	100
Monitoring of other internal parameters	6	86
Input-output analysis	6	86
Informal contacts	5	71
Information from embassies and high commissions	4	57

N = 7

Table 17 shows that the most widely used methods of studying the business environment are customer analysis and performance monitoring which are practiced by 100% of the respondents. These are followed by the print and electronic media, competitor analysis, input-output analysis and monitoring of other internal parameters each used by six firms. The least applied method is internet research which is used by only two firms. Marketing research and information from embassies and high commissions are also not widely used as only four firms apply them. One respondent indicated that they use outturn percentage for input-output analysis. This is the ratio of made tea to green tea leaves. Another one indicated that they rely

very much for information on the Federation of Kenya Employers (FKE) and the Tea Board of Kenya (TBK) of which they are members.

4.4.7: Frequency of Surveying the Business Environment

The respondents were asked to indicate by checking the correct option how often they survey their business environment. The results are shown in Table 18.

Table 18: Frequency of Survey and Monitoring

Survey Frequency	Frequency	Per cent
Continuously	3	43
Weekly	2	29
Monthly	1	14
Quarterly	1	14
Total	7	100

N = 7

Table 18 shows that three firms survey their business environments continuously while two do so on a weekly basis. One each does the survey on monthly and quarterly bases respectively.

4.4.8: Frequency of Objective Gap Analysis (OGA)

The respondents were asked to indicate how often they carry out objective gap analysis to determine the difference between set objectives and actual performance. The results, computed as frequencies and percentages are shown in Table 19.

Table 19: Frequency of Objective Gap Analysis

Frequency OGA	Frequency	Per cent
Weekly	2	29
Monthly	4	57
Quarterly	1	14
Total	7	100

N = 7

Table 19 shows that the majority of the firms (four out of seven) carry out objective gap analysis on a monthly basis while two do it on a weekly basis while one on quarterly basis.

4.4.9: Techniques and Methods of Forecasting

The respondents were given a list of forecasting techniques and asked to indicate the ones they use in their organization. The data was analyzed by computing frequencies and percentages as shown in Table 20.

Table 20: Forecasting Techniques

Technique	Frequency	Per cent
Extrapolation based on past experience	5	71
Extrapolation based on historical sales & profits	5	71
Scenario analysis	6	86
Technological forecasting	4	57
Economic forecasting	6	86

N = 7

From Table 20, it can be seen that the most relied on methods of forecasting are economic forecasting and scenario analysis, used by six out of seven firms. In fact the single organization that does not carry out economic forecasting of its own indicated that they rely on the Federation of Kenya Employers and the Tea Board of Kenya for the information. The next most used techniques are extrapolation on the basis of past experience and on the basis of historical sales and profits, each used by four firms. The least used method is technological forecasting, used by only four firms.

4.4.10: Forums for Discussing Urgent and Critical Issues

The respondents were given a list of forums and asked to indicate whether or not they use such forums for discussing urgent and critical issues. The data was analyzed in form of frequencies and percentages as shown in Table 21.

Table 21: Forums for Discussion

Forums	Frequency	Per cent
Board of Directors meetings	5	71
Senior management meetings	7	100
Departmental meetings	6	86
Special committees & task forces	6	86
Informal ad hoc meetings	4	57

N = 7

Table 21 shows that 100% of the respondents discuss urgent and critical issues in senior management meetings. Departmental meetings and special committees and task forces are next, each used by six firms. Board of directors' meetings and informal ad hoc meetings come last as they are used by five and four firms respectively.

4.4.11: Tools and Techniques for Analyzing Real-Time Strategic Issues

A list of tools and techniques for analyzing real-time strategic issues was provided and the respondents asked to indicate whether or not their organizations use the tools. The data was analyzed using frequencies and the results are presented in Table 22.

Table 22: Tools and Techniques of Analysis

Tools and techniques	Frequency	Per cent
Impact/urgency of environmental trends	4	57
Existing knowledge level about the issue	4	57
Issue urgency estimation	4	57
Issue impact estimation	5	71
Cross impact analysis	6	86
SBA Impact analysis	4	57
SWOT Analysis	7	100
Eurequip matrix	1	14

N = 7

Table 22 shows that 100% of the firms use Strength, Weakness, Opportunity and Threat (SWOT) analysis. This is followed by cross-impact analysis and issue impact estimation, used by six and five firms respectively. Impact/urgency of environmental trends, current status of knowledge level about an issue, issue urgency estimation and strategic business area (SBA) impact analysis are each used by four organizations. The least used tool is the Eurequip matrix as it was reported by only one organization.

4.4.12: Factors Considered In Estimating the Impact of an Issue

The respondents were given a list of factors and then asked to indicate whether or not their organizations consider them when estimating the impact of an issue. The data was analyzed in form of frequencies as presented in Table 23.

Table 23: Factors Considered in Estimating Issue Impact

Factor	Frequency	Per cent
Income/gain associated with the issue	6	86
Possible profit loss involved	7	100
Amount of resources needed for response	5	71
Time-span of associated consequences	4	57

From the information in Table 23, the most widely considered factor in impact estimation is potential loss in profits, which is considered by 100% of the respondents. This is closely followed by gains associated with an issue considered by six out the seven firms. The amount of resources needed for counteraction and the time span associated with the consequences of an issue are considered by five and four firms respectively.

4.4.13: Preparation of Key Issue List

The respondents were asked to state whether or not they prepare lists of key priority issues. The data was analyzed as frequencies and is presented in Table 24.

Table 24: Preparation of Key Issue List

	Frequency	Per cent
Prepare Key Issue List	6	86
No key issue list	1	14
Total	7	100

N = 7

Table 24 shows that six of the firms prepare a list of key priority issues while one does not.

4.4.14: Frequency of Reviewing Key Issue List

Those respondents whose firms prepare key issue lists were asked the frequency of reviewing these lists. The results are shown in Table 25.

Table 25: Frequency of Reviewing the List

Interval of review	Frequency	Per cent
Continuously	1	14
Weekly	1	14
Monthly	2	29
Quarterly	1	14
No response	2	29
Total	7	100

Table 25 shows that two firms review the list of key priority issues monthly while only one does so continuously. A firm each reviews the list on weakly and quarterly.

4.4.15: Courses of Action Normally Taken After Issue Analysis

The respondents were asked to indicate from a list of possible actions which ones they undertake after analyzing issues. The data, computed as percentages is shown in Table 26.

Table 26: Actions Taken After Issue Analysis

Course of Action	Frequency	Per cent
Immediate action	7	100
Continue to monitor	5	71
Postpone to next planning cycle	1	14
Drop from priority list	1	14
Gradual response as knowledge increases	3	43

N = 7

As Table 26 shows, all the seven firms encounter situations where immediate response is required; five indicated that sometimes they encounter issues that may need continuous monitoring. Initiation of gradual responses as knowledge about an issue increases was reported by three of the respondents while postponement to the next planning cycle and dropping issues from priority lists were each reported by one each.

4.4.16: Status of Knowledge Level at which Responses are Initiated

The respondents were asked to indicate the levels of knowledge about an issue at which they initiate response. Table 27 shows the data computed as frequencies.

Table 27: Status of knowledge Level for Initiated Response

Status of Knowledge	Frequency	Per cent
When Management knows that some Threat/Opportunity will occur but the nature, source or shape is unknown	5	71
Once the source of Threat or opportunity is known	3	43
When concrete knowledge about Threat/Opportunity is available	3	43
Only when management is sure of the type of response needed	1	14
Only when the type of expected outcome is clear	0	0.00

N = 7

Table 27 shows that the dominant status of knowledge level at which responses are initiated is when the management becomes aware of a threat or an opportunity but the nature, source or

shape of these threats/opportunities are still unknown. This status was reported by five out of seven firms. Three respondents indicated that their firms can initiate response once the source of threat/opportunity is known and when concrete knowledge about the threat/opportunity is available. Only one firm sometimes initiates response only when the management is sure of the type of response needed while no organization waits until its management is sure of the type of expected outcome.

4.4.17: Methods for Enhancing Communication

A list of methods for enhancing communication in organizations was presented and the respondents asked to indicate the ones their organizations use. The data was analyzed by computing frequencies and is presented in Table 28.

Table 28: Methods for Enhancing Communication

Method	Frequency	Per cent
Intranets	5	71
Extranets	3	43
Written issue briefs	4	57
Informal contacts	4	57
Internal social networks	4	57
External social networks	4	57
Informal meetings	4	57
Formal meetings	7	100
Issue reporting regardless of the laid down chain of command.	5	71

N = 7

From the information in Table 28, all the seven organizations use formal meetings for passing information on real-time strategic issues. Intranets and issues reporting regardless of the laid down chain of command are each used by five firms. Written issue briefs, informal contacts, internal and external networks and informal meetings are each used by four firms while only three organizations use extranets. One respondent indicated that their senior managers enjoy paid-up club memberships so that they can interact with the external world.

4.4.18: Measures for Ensuring/Encouraging Real-time Detection, Reporting and Response to Issues

A list of measures aimed at encouraging real-time capturing, reporting and response to issues was provided to the respondents who were asked to indicate whether or not these measures are being used by their organizations. The data was analyzed in form of frequencies and is presented in Table 29.

Table 29: Measures that Encourage Prompt Detection, Reporting and Response

Type of Measure	Frequency	Per cent
Integrative & flexible structures	3	43
SIMS manager has powers to allocate resources	5	71
SIMS manager has powers to assign duties across departmental boundaries	3	43
Flexible budgets & operating plans	7	100
Open reporting where senior managers are accessible to all during crisis	6	86
Encourage informal communication among all actors	5	71
Reward system for early identification & prompt reporting of surpriseful Issues	2	29
Reward system for innovativeness, wide vision & risk taking	4	57

Table 29 shows that the most widely used measure is flexibility in budgets and operating plans, used by the seven firms. The next dominant measure is open reporting where senior managers are accessible to all during crisis which is in place in six out the seven firms. This is followed by empowering the manager in charge of SIMS to allocate resources and encouragement of informal communication among all actors, each found in five firms. Reward system for early identification and prompt reporting of surpriseful events and developments, found in only two firms the least used method.

4.4.19: Activities in Issue Processing

The respondents were given a list of activities/steps in issue processing and asked to state whether or not their organizations undertake them when processing real-time strategic issues. The results, computed as frequencies are shown in Table 30.

Table 30: Issue Processing

Activity	Frequency	Per cent
Issue characterization	6	86
Setting of Strategic objectives	6	86
Force Field Analysis	4	57
Stakeholders Assessment	2	29
Scenario mapping	4	57
Identification of key players	5	71

N = 7

Table 30 shows that none of the companies undertake all the six activities or steps investigated. However, six of the companies undertake issue characterization and set strategic objectives once an issue is identified, five identify key players who may have significant influence on an issue while scenario analysis and force field analysis are each carried out by four firms. Only two firms assess the various stakeholders to see how the issue may impact on them.

4.4.20: Role of Corporate Parents

The five respondents whose firms have corporate parents were asked to indicate the extent to which these corporate parents assist with certain activities in handling real-time strategic issues. The extent of involvement was measured on a scale of 1-5 where 1= No role played, 2= Very Small extent, 3= Small Extent, 4= Great Extent, and 5= Very great extent. The data was analyzed by computing mean scores and standard deviations, where the higher the mean score the greater the involvement by corporate parents. The results are shown in Table 31.

Table 31: Role of Corporate Parents

Role of corporate parents	Mean	SD
Detection of deviations	3.60	0.89
Sharing information about environmental deviations	3.80	0.87
Assisting with material resources to help deal with surpriseful events/developments	4.00	0.71
Assist with personnel during turmoil	3.20	1.64
Decision-making during crisis	4.40	0.55
Advice on best strategy	4.40	0.55
Capacity building through trainings	3.00	1.41

Table 31 shows that the role of corporate parents is highest in decision making during crises, and advice on best strategy, both with a mean score of 4.40. These are followed by assistance with material resources to help deal with surprises, with a mean score of 4.00. At position four and five are information sharing about environmental deviations and detection of deviations themselves with mean scores of 3.8 and 3.6 respectively. All these indicate involvement to a great extent. Corporate parents are however involved to a small extent in assistance with personnel during turmoil and capacity building through trainings with mean scores of 3.20 and 3.00 respectively.

4.4.21: Usefulness of Certain Internal Resources in Handling Real-Time Strategic Issues

The respondents were asked to state the extent of usefulness of certain internal resources in managing real-time strategic issues. The measurements were taken on a 1-3 point scale where 1 = Not applicable, 2 = To a small extent, and 3 = To a great extent. The data was analyzed by calculating mean scores and standard deviations. The results are presented in Table 32 where the highest mean score represents the most useful resource

Table 32: Usefulness of Internal Resources

Skill/Resource	Mean	SD
Computers/ICT	2.71	0.49
Workforce composition	2.71	0.75
Creativity, entrepreneurship & innovativeness	2.87	0.38
Basic qualifications of staff	3.00	0.00

Table 32 shows that out of the resources investigated, basic qualification of staff with a mean score of 3.00 is the most useful. It is followed by creativity with a mean score of 2.87. Information Communication Technology and the composition of work force tie at 2.71. However, these mean scores show that all the four resources investigated are useful to a great extent.

4.4.22: Frequency of Real-Time Responses over the Last 10 years.

The respondents were given a list of certain possible responses and then asked to indicate how often they have undertaken each one of them over the last ten years. The frequencies of responses were weighed on a scale of 1-5 with 1= Not at all, 2= A few instances, 3= Occasionally, 4 = Frequently and 5 = Very frequently. The data was analyzed by computing mean scores and standard deviations, where the higher the mean score, the more frequently a particular type of response has been undertaken. The results are shown in Table 33

Table 33: Frequency of Real-Time Strategic Responses

Response	Mean	SD
Change or upgrade technology	3.86	0.38
Train/retrain staff	4.00	0.00
Internal staff redeployment	3.43	0.53
Hire better qualified staff	3.14	0.69
Lay off staff	2.43	0.53
Shut down some branches or scale down operations	1.57	0.53
Enter collaborative agreements or alliances	2.14	0.90
Attempt to grasp an opportunity which was not in original plan	2.86	0.38

Table 33 Continued

Change or modify products	2.71	0.49
Change markets	2.57	0.53
Change suppliers	3.12	0.38
Make drastic changes in order to protect the firm from a looming threat	2.86	0.69
Actively go public in order to protect firm's image	2.14	0.69
Tried to influence the direction of an impeding legislation or policy	2.14	0.90
Tried to influence the direction of any other external development apart from policy and legislation	1.43	0.79
Change organizational structure	2.29	0.75
Push normal plans to the background in order to deal with emerging new priorities	2.57	0.79
Change reporting procedures	2.57	0.79
Change organizational culture	2.85	0.38
Considered relocating business	1.29	0.49

N = 7

Table 33 shows that the most common responses to environmental deviations are retraining of staff and changes and upgrading of technology with mean scores of 4.0 and 3.86 respectively. These two have been resorted to frequently in the last ten years. Internal redeployment of staff (3.43), hiring of better qualified staff (3.14) and changing suppliers (3.12) complete the top five responses frequently resorted to.

The least resorted to responses were (considering) relocation of businesses (1.29), trying to influence the direction of external developments (1.43). These were almost unheard of. Shutting down some branches or scaling down operations, with a mean score of 1.57, entering collaborative agreements/alliances, actively going public in order to protect the image of the firm and attempts to influence the direction of impending policies or legislation, all with mean score of 2.14 and changing organizational structure (2.29) are some responses that were resorted to in a few instances.

4.4.23: Prevailing Mode of Making Critical and Urgent Decisions

The respondents were asked to indicate the prevailing mode of decision making in their organizations. The data was analyzed in form of frequencies and is shown in Table 34.

Table 34: Mode of Making Critical and Urgent Decisions

Mode of Decision Making	Frequency	Per cent
Centralized at the top management	4	57.14
Delegated to lower managers	1	14.29
Use of interdepartmental task forces/committees	2	28.57
Total	7	100

Table 34 shows that a system where decision on urgent and critical issues is made by top management is the most dominant. This is practiced by four firms while two firms use interdepartmental task forces and committees. Only one firm prefers delegation to lower level managers.

4.4.24: Speed at which Top Management Responds to Strategic Surprises

The respondents were asked to indicate the speed at which their top management responds to real-time strategic surprises. The data was analyzed in form of frequencies and the results are presented in Table 35.

Table 35: Speed of Response by Top Management

Speed of response	Frequency	Per cent
Very fast	2	29
Fast	5	71
Total	7	100

Table 35 shows that five out of seven respondents rated their speed of response as fast with only two indicating that their top managers respond very fast.

4.4.25: Responsibilities in Real-time Strategic Issue Management

A list of activities and stages in real-time strategic issue processing was provided to the respondents together with certain positions in their firms. The respondents were then asked to indicate who performs each of the activities in their organizations. The data was analyzed by computing the number of organizations where the responsibility lay with a certain member of staff, committee or department. In some cases certain activities are performed by more than one individual, committee or positions and one individual may have more than one responsibility. Table 36 shows the frequencies of the responses.

Table 36: Responsibilities in Real-Time Strategic Issue Management

Responsibility	Every Body	The Chief Executive	Board of Directors	General Manager	Line Managers	Specific Department
	Number	Number	Number	Number	Number	Number
Surveillance of the External Environment	2	1	1	0	5	0
Monitoring of internal trends	1	1	1	2	4	1
Issue reporting & alerting decision makers	1	2	1	2	3	1
Who is reported to	0	2	1	2	1	0
Impact/Urgency Evaluation	1	3	1	1	2	1
Custody of key issue list	0	5	4	0	1	2
Updating key issue list	0	1	0	3	1	2
Assessment of issue importance	0	3	2	2	0	2
Decision making on the way forward	0	4	3	2	0	1
Assigning responsibility for issue resolution	0	4	3	2	0	0
Resource allocation	0	3	6	1	0	0
Implementing resolutions	1	2	1	2	3	1

From Table 36, it is clear that in the majority of the organizations, line managers perform the functions of surveillance of the external environment and monitoring of internal environments. The Chief Executive Officer's (CEO) major duties include receiving reports about detected deviations or instabilities, custody of key issue list, decision making about what actions to be taken and assigning responsibilities. In some organizations, the General Manager also doubles as the CEO.

The Board of Directors (BoD) allocates resources and is the custodian of the list of key priority issues in six and four companies respectively. Other responsibilities of the BoD include decision making about course of action to be taken and responsibility assignment for issue resolution, both of which they perform in three companies.

It is in only two organizations where every body has a role to play as far as surveying the external environment is concerned while the role of monitoring trends in the internal environment is performed by everybody in only one firm. In addition to those activities that are done by everybody in some organizations, issue reporting, impact/urgency evaluation and implementation of resolutions are the most widely distributed responsibilities.

In one organization, the responsibility of issue reporting and custody of the list of priority issues lies with finance and strategy division while updating the same list and assessing the relative importance of an issue fall under the department of strategy and planning. In another organization, the operations department monitors internal trends, assesses relative importance of real-time strategic issues and updates the key issue list. Together with the CEO, the department evaluates the impact and urgency of issues, keeps the list of key issues, and decides on the course of action to be taken. The department's head, together with the CEO, and the Board of Directors can also allocate resources for response execution.

4.4.26: Sequence of Real-Time Strategic Issue Processing.

When asked to sequentially describe the steps in issue processing (right from detection up to issue resolution and the persons or positions involved), the respondents gave the following responses. Once an issue has been detected, the responsible departmental head or line manager

brings it to the attention of the relevant authority who may be the Managing Director or the General Manager. The two then discuss a way forward after which a meeting is called. This may be the strategic committee meeting, a meeting of heads of departments or the unit's management. Or it may be a special task force formed for the issue only as one respondent stated that their Managing Director formed a team whose members came from the departments of Marketing, Strategy and Finance to analyze the potential impacts of the current global financial crisis. All aspects of the issue at hand are discussed, a way forward is formulated and assessed and the CEO is advised accordingly. Depending on the amount of resources required, a Board of Directors meeting may be convened to give authority otherwise the CEO communicates the way forward to lower level managers. Responsibility for issue resolution is assigned and regular monitoring is carried out.

4.4.27: Flexibility Measures

The respondents were asked to state how their firms ensure flexibility in logistics, machinery and facility capacity, and in organization so as to plan as per the issue at hand and not what structures dictate. In order to ensure logistical flexibility so as to be able to configure resources and capabilities to ensure quick and efficient repositioning to new products and new markets whenever need arises, the firms take a multidisciplinary approach to issues and heads of departments are encouraged to propose additional requirements. In some cases, the general manager is given leeway to allocate resources yet another approach is to hold urgent meetings with brokers and suppliers. To ensure flexibility in machinery and facility capacity, existing machinery and equipments are continuously monitored by personnel who have relevant knowledge and qualifications and new machineries are installed depending on availability of funds. One respondent stated that flexibility in machinery and facility capacity depends on changes in consumer preferences and target markets and that there is always a provision to change the processing structure.

On planning as per the issue at hand as opposed to what structures dictate, the respondents stated that they hold regular management and committee meetings where emerging issues are reported and discussed. Here responsibility for resolving the issue is assigned someone who is

required to be reporting back regularly. In some cases, managers in charge of a particular unit are empowered to plan and allocate the resources necessary to resolve the issue.

4.4.28: Consensus Building

Real-time strategic issues may create tension in organizations as members may differ on their assessment of the same issue. They may differ on whether an issue is favourable or not, on its impact and urgency etc. The respondents were therefore asked to state the approaches they use to build consensus in such instances. All respondents agree that free discussions are held where all facts are laid bare without any discrimination (each side is heard). Wide consultations are held and all issues are raised, all the positive and negative aspects of issues are discussed.

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1: Summary, Discussions and Conclusions

The nature of real-time strategic issues was measured in terms of the rate of change or turbulence of environmental factors, the relative importance of these factors to large scale tea producers in Kenya and finally the direction and magnitude of impact of environmental developments and events over the previous ten years. The findings show that environmental turbulence in this sub-sector has not reached level five, that is, surpriseful, discontinuous and unpredictable according to the classification by Ansoff and McDonnell (1990) and Perrott (2008), neither is it constant/repetitive. However, the most turbulent factors were politics and exchange rates which actually hit level four, that is, discontinuous but predictable. These were closely followed by tea prices (both at the international market and at the Mombasa tea auction), market conditions including customer behaviour, production costs, changes in the labour market and insecurity all of which exhibited fast and incremental change (level three). Senior management's attitude towards junior employees, substitute products and internal structures and systems complexity, organizational values and society's attitude towards businesses are some of the factors that exhibited the lowest rate of change at turbulence level two, that is, slow and incremental.

On the level of importance, the most important factor is the cost of production followed by the state of the economy, behaviour of buyers, tea prices at the Mombasa auction and the strength of the local currency as compared to the major world currencies. Socio-cultural factors, security, Information Communication Technology, competition and relevant regulations come last in that order. This confirms Bet's (2003) findings that competition is not a major factor among large scale tea manufacturers in Kenya. Environmental developments and events that have had major negative impact on the organizations over the last ten years are fertilizer cost, the current global financial crunch, exchange rate fluctuation, the recent oil crisis, rise in general cost of doing business and environmental degradation. Others are the soaring inflation rates and the newly introduced labour laws. The newly introduced tea regulations are seen by

and monitor both their internal and external environments. However, they differ on the scale of intervention in order to influence environmental developments. While six out of seven intervene both passively and actively in both environments, one only intervenes passively in its internal environments. Dutton and Ottensmeyer (1987) advise that in order to ensure timely response, large organizations operating in turbulent internal and external environments should have systems that detect and monitor real-time strategic issues and intervene both passively and actively in both internal and external environments.

The leading techniques/methods used in surveying the business environment are performance monitoring and customer analysis, which are applied by all the organizations. Print and electronic media, competitor analysis and input-output analysis are used by six out of the seven organizations while market intelligence and environmental scouting are used by five firms. Marketing research and embassies and high commissions are used by four organizations while only two apply internet research. In today's business world, firms should be open to information from all sources. Being exporters, these firms should not ignore embassies and internet research as sources of information. On the frequency of surveying the business environment, only three firms indicated that they do so on a continuous basis, two do so on a weekly basis while one each does so on quarterly and monthly basis. Real-time strategic issue management and especially surveillance and monitoring of the business environments for surprises should be done continuously (Ansoff & McDonnell, 1990; Mkamunduli, 2005). This way, a firm will always be in a state of strategic preparedness and it will not miss opportunities or learn about threats when the devastating effects are already being felt.

The majority of the firms conduct objective gap analysis on a monthly basis, with two doing it weekly and one quarterly. On forecasting techniques, the most widely used are scenario analysis and economic forecasting, followed by extrapolations based on past experience and also on historical sales and profits. The least used technique is technological forecasting. Ansoff (1975) asserts that in order for firms to broaden their environmental awareness to include discontinuities, extrapolative methods such as sales forecasting, economic forecasting and competitor analysis must be combined with special environmental analysis techniques such

as environmental monitoring, technological forecasting, sociopolitical forecasting and threat/opportunity analysis.

On the forums for discussing urgent and critical issues, the one mostly used is senior management meetings which are used by all the firms, followed by departmental meetings and special task forces. Board of Directors' and informal ad hoc meetings are the least used. Urgent and critical issues need immediate attention. It is therefore imperative for firms to device ways of disposing of them as soon as possible and in a cost effective manner. It is because of this that meetings that may need long notices and unnecessary expenses should be avoided. Real-time management being an ad hoc system of management (Borovits & Segev, 1977), forums that can easily be constituted such as ad hoc committees, departmental meetings and special task forces should be preferred. Furthermore, in turbulent environments these urgent and critical issues come up quite often.

On the tools and techniques for analyzing real-time strategic issues, the most widely used is the SWOT analysis, used by all the firms. Cross-impact analysis and issue impact estimation are used by six and five organizations respectively. Estimation of impact/urgency of environmental trends, assessing current knowledge level about an issue, strategic business area analysis and issue urgency estimation are used by four firms and only one uses the Eurequip matrix. This study confirms previous findings by Nganga (2001), Mkamunduli (2005) and Muya (2006) that the Eurequip matrix is not widely used in Kenya. While the first two reported none, Muya reported that only one organization was applying the method.

The Eurequip matrix is an important tool as it helps organizations identify situations where both strengths and weaknesses can be of use and where they are not useful, called positive and negative synergies respectively (Ansoff & McDonnell, 1990). This way, firms would know when to enhance which weaknesses or strengths but more importantly, when it is necessary to develop new capabilities. Strategic business area (SBA) analysis is another method that should be very handy to tea producers especially because the bulk of their produce ends up in foreign markets. SBA analysis enables companies to establish how a particular issue would impact on, or affect a particular market segment or geographical region (Ansoff, 1975). The status of

knowledge level helps firms in knowing when to start response and more importantly what kind of response is required (Ansoff, 1975).

The leading factor considered in estimating the impact of an issue is potential loss in profits which is considered by all the organizations. This is followed by potential income and amount of resources required for response. The time span associated with the consequences of an issue is the least considered component of issue impact. When assessing potential issue impact, organizations should consider all aspects of an issue and not only potential profit loss. Potential loss or gain in profits, amount of resources needed for response and time span associated with consequences are all useful determinants of impact levels.

Six out of seven firms prepare lists of key priority issues. However, they differ on the frequency of reviewing this list with an organization each doing so continuously, weekly and quarterly respectively. Two organizations review this list on a monthly basis. Ansoff and McDonnell (1990) assert that all organizations operating in environments full of surprises should be preparing a list of key priority issues and that this list should be reviewed regularly, at least on a monthly basis. On actions taken after analyzing issues, all respondents stated that they encounter situations where immediate action is required; five firms stated that sometimes they have to monitor an issue first before acting while three firms sometimes start gradual responses as knowledge about an issue increases. Postponement to the next planning cycle and outright dropping out of the list of key priority issues were each reported by only one firm.

On the status of knowledge level at which responses are initiated, the majority of the organizations sometimes start their responses when management knows that some threat or opportunity will occur but the nature, shape and source of this threat or opportunity is still unknown. The next statuses of knowledge level at which responses are initiated are once the source of threat and opportunity is known and when concrete knowledge about threat and opportunity is available. The least prevalent status of knowledge is when the management is sure of the type of response needed. However, no organization waits until the type of outcome expected is clear.

On methods for enhancing communication, the most widely used are formal meetings which are used in all the organizations followed by intranets and reporting of issues regardless of the laid down chain of command. Written issue briefs, informal contacts, internal and external social networks and informal meetings follow in that orders while is extranets are the least used. Nganga (2001) proposes that information flow within firms can be improved through better bottom-up information flow, increased informal interactions and opening up bureaucratic tendencies among others. During turbulence, information flow does not have to follow the laid down procedures or chain of command (Dibrell et al., 2007). Sticking to formalities when a firm is under attack can be tragic.

On measures for encouraging real-time capture, reporting and response to environmental deviations, the one mostly used is flexibility in operating plans and budgets followed by open reporting where senior managers are accessible to all during crisis. The next ones are encouraging informal communications among all actors and empowerment of managers in charge of real-time strategic issue management systems to allocate resources. Others are reward systems for innovativeness, wide vision and risk taking, integrative and flexible structures, managers in charge of real-time SIMS having powers to assign duties across departmental boundaries in that order. The least used method is a reward system for early identification and prompt reporting of surprises in the business environments. Successful and dynamic firms have purposeful, formalized procedures that enable to react quickly to external triggers whenever they feel response is warranted (Dibrell et al., 2007)

On steps in processing real-time strategic issues, issue characterization and setting of the objectives that the firm wants to achieve at the end of processing the issue are the most prevalent. These are followed by identification of key issue players, force field analysis and scenario mapping in that order. The least undertaken activity is stakeholders' assessment.

Issue characterization is important as it ensures that all actors in the firm have a common perception of the issue, whether it is positive or negative and the level of impact it is likely to have. It is issue characterization that sets stage for the setting of strategic objectives. Furthermore, it is vital to reach a common understanding and awareness on critical issues so as

to prevent conflict and dissonance at a time when the firm is facing a crisis (Perrott, 2008). Identification of key issue players who may have significant influence on an issue, stakeholder assessment to establish how an issue may impact on various stakeholders or how each may influence an issue, force field analysis to identify the forces driving and opposing the issue, thorough scenario mapping, are all important steps in issue processing (Oliver & Donnelly, 2007). Firms should therefore not ignore them as they attempt to dispose of real-time strategic issues.

On the role played by corporate parents during environmental turbulence, findings show that corporate parents are involved to a great extent in decision making during crisis, advice on best strategy, assistance with material resources to help deal with environmental surprises, sharing of information about environmental deviations and detection of deviations themselves. They are however involved to a small extent in capacity building through trainings and assistance with personnel during turbulent times. On the extent of usefulness of certain internal resources in managing real-time strategic issues, all the four resources investigated, that is, basic qualification of staff, creativity, entrepreneurship and innovativeness, workforce composition and Information Communication Technology were found to be useful to a great extent.

On the frequency of real-time strategic responses over the past ten years, findings show that retraining of staff and upgrading of technology were the most frequently resorted to. These were followed by internal redeployment of staff, hiring of better qualified staff and change of suppliers. Shutting down some branches or scaling down operations, entering collaborative agreements/alliances, actively going public in order to protect the image of the firm, attempts to influence the direction of impending policies or legislation, changing organizational structure were resorted to in a few instances. Considering relocation of businesses and trying to influence the direction of external developments were almost unheard of.

Findings show that the most prevalent system of making urgent and critical decisions is that where decision-making is centralized at the top. This system is used by four out of the seven organizations, while two use interdepartmental task/forces and committees. Only one uses lower level managers in such situations. Delegation of duty as far as urgent and critical

decisions are concerned should be encouraged. This will considerably reduce the time taken in passing information through various levels and therefore ensure swift counter actions. Muya's (2006) study shows that wherever a firm had more than two branches, delegation of authority in many cases was preferred in decision-making. On the contrary, this study shows that there is no significant correlation between either the number of branches or the number of processing factories and level of decision-making. In some cases, firms managing over six branches and/or processing factories still have a centralized system of decision-making. On the speed at which top management responds to strategic surprises, five out of seven respondents felt that the speed is fast with the other two rating it as very fast.

On responsibilities of employees in real-time strategic issue management, findings of this study show that the role of surveying and monitoring both the internal and external environments is predominantly performed by the line managers. In one organization, monitoring of internal trends, issue reporting, impact urgency estimation, and implementation of resolutions are done by everybody. Issue reporting is a responsibility that is spread almost evenly and it may not be possible to say conclusively whose responsibility it predominantly is among these firms. However, line managers seem to take the lead. The role of monitoring is performed by the Operations department in one organization. The role of environmental surveillance and monitoring is an organization-wide activity which should be performed by all staff (Ansoff & McDonnell, 1990). Dibrell et al. (2007) assert that during turbulence, any employee has the duty and freedom to report any strange happenings in the environment to decision makers regardless of their position.

The CEO apparently is the person to whom surpriseful developments are reported. It should however be noted that in some organizations, the CEO and the GM are one and the same person. Impact urgency estimation is another duty which is well spread among various employees with the CEO taking. In one organization, it is performed by the Finance and Strategy Division. Custody of the list of key priority issues is predominantly the responsibility of the CEO followed by the BoD. The departments of Operations in one firm, and Finance and Strategy Division in another are also custodians of this list. Updating of the list is another activity that is spread widely though the General Manager appears to take the lead. The

departments of Strategy and Planning in one firm and Operations in another also carry the responsibility of updating the list. Assessment of issue importance is mainly done by the CEO followed by the BoD, the GM. Assessment of issue importance is also undertaken by the department of Strategy and Planning in one firm, and Operations in another. Decision making about the course of action to be taken is done mainly by the CEO, the BoD, GM and the Operations Department in that order.

The duty of assigning responsibilities for issue resolution rests with the CEO, the BoD and the GM in that order. Allocation of resources for execution of responses is predominantly done by the BoD followed by the CEO and the GM in that order. In one organization, implementation of resolutions is done by everybody otherwise the CEO, the GM and Line Managers implement resolutions in two firms respectively. Implementation is apparently spread out evenly among various employees with the line managers taking the lead followed by the CEO and the GM. Steps in issue processing basically start with issue detection followed by issue reporting. The issue is then discussed in various committees where characterization and way forward for its resolution, including the amount of resources needed are agreed upon. Responsibility for issue resolution is assigned and as the resolution agreed upon is being implemented, monitoring is done on a regular basis.

According to Ansoff and McDonnell (1990), in well organized real-time strategic issue management systems the role of surveillance and detection is done by all staff. A special team of organizations staff in charge of operating control receive the report, assess the impact and urgency of an issue and inform the General Management of surprises. This special team maintains a "war room" where the list of key priority issues is permanently displayed and regularly updated. The General Management assigns priority issues, formulates strategies and is also in charge of strategy control. The role of issue resolution is performed by projects operating units which continuously give performance and strategy feedbacks.

Measures for ensuring flexibility in logistics include holding urgent meetings with brokers and suppliers, multidisciplinary approach to issues, leeway for resource allocation. Flexibility of machinery and facility capacity is ensured through constant monitoring of equipment with a

provision of changing processing structure whenever need arises. Organizational flexibility is achieved by holding regular internal meetings where issues are discussed and in some cases, managers in charge of units are empowered to allocate resources required to resolve emerging issues. On arriving at a common ground on the true nature of a real-time strategic issue, wide consultations and discussions are held.

5.2: Limitations of the Study

One of the major limitations was low response rate which hindered the performance of valuable significance tests. A higher response rate could have enabled realistic comparisons of practices across firms in different categories. Failure by companies that are fully owned by foreign investors to participate in the survey also limited the study. Their participation could have given a better picture of how the practices vary.

Another limitation was time constraints and therefore it was not possible for the researcher to seek clarifications from all respondents. It was not possible to visit all of them and hold discussions. It cannot therefore be said conclusively that all of them understood all the questions. Due to time limitations, it was also not possible to pre-test the data collection instrument.

5.3: Recommendations for Further Research

One of the areas that need to be researched on is the relationship between real-time strategic issue management and company performance. Future research should investigate whether there is any link between the practices and say issues like speed of response, profit levels etc. This way, there will be grounds to advocate the benefits of the practices.

It may also be quite informing if studies could be conducted to identify and compare real-time strategic issue management practices across different industries. The resources needed, the impacts of environmental developments on players of different industries would be revealed by such studies. Research should also be extended to other tea industry players especially exporters and packers. Other industries should also be studied.

Studies can also be carried out using different research designs. Case studies in one or a few firms can be used to conduct in-depth studies on how the various practices are conducted. Longitudinal studies can also give insight on how these practices vary as time and environment change.

5.4: Implications for Policy and Practice

Most of the issues that impact negatively on firms have a lot to do with cost of doing business. Policies and regulations should be put in place that can stabilize the business environment and lower these costs. The strength of the local currency in relation to the dollar is another factor that should also be stabilized along with changes in the political arena. Policies should also be put in place so that local industry players are cushioned against strategic shocks like the ones caused by the current global financial crisis, the recent oil crisis, rising fertilizer costs to mention but a few.

In this age of environmental turbulence, it would be tragic for any firm to ignore its real-time strategic issue management. Timely detection of environmental instabilities as well as response is highly essential for firms that want to succeed today. A part from surveying and monitoring the business environments for deviations, organizations should device measures of influencing the same. Systems that can detect deviations as they occur and execute real-time responses should be put in place. This calls for firms to be alert all the time and improve information processing

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APPENDICES

Appendix I: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – BANDARI CAMPUS

Telephone 041-2221970 Exin 4242-1510   P.O. Box 95069
Telegrams 'Varsity' Nairobi   Mombasa, Kenya
Telex   25095 Varsity

DATE 3rd March 2009

TO WHOM IT MAY CONCERN

The bearer of this letter Dalton T.O. Nyandoto

Registration No D61/9139/2006

is a Master of Business Administration (MBA) student of the University of Nairobi
Bandari Campus

He is required to submit as part of his coursework assessment a research project
report on a 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 by allowing him to collect information from your
organization for the research.

Thank you

Cyrus Iraya
CO-ORDINATOR, BANDARI CAMPUS

86

Appendix II: EATTA Producer Members based in Kenya
as at 6/02/2009

No.	Name of Organization	Physical Address
1	Eastern Produce Kenya Ltd, Kibwari Ltd., Siret Tea Company Ltd.	Nairobi
2	James Finlay (Kenya)Ltd	Kericho
3	Kaisugu Ltd	Kericho
4	Karirana Estates Ltd	Limuru
5	Sasini Ltd (Kipkebe Ltd.)	Nairobi/Sotik
6	Kapchebet Tea Factory Ltd.	Kericho
7	Kenya Tea Development Agency Ltd	Nairobi
8	Kiptagich Tea Estate Ltd.	Olenguruone/ Nakuru
9	Maramba Tea Factory Ltd.	Limuru
10	Nandi Tea Estates Ltd.	Nandi Hills
11	Nyayo Tea Zones Development Corporation	Nairobi
12	Ngorongo Tea Company Ltd.	Kiambu
13	Sotik Tea Company Ltd./Sotik Highlands Tea Estate	Sotik
14	Unilever Tea Kenya Ltd	Kericho
15	Williamson Tea Kenya Ltd	Nairobi

Appendix III-Questionnaire

This questionnaire should preferably be responded to by the person heading Real-Time Strategic Issue Management Systems (SIMS). An SIM System refers to the personnel and processes for early identification of, analysis and fast response to surprising changes (called strategic issues), both inside and outside an enterprise. In the absence of such position, the CEO is kindly requested to assign the most appropriate person(s) or respond to it personally.

SECTION I: Company Information

1: Name of Organization: _____

Position of respondent.. ....**Tel No.** ....

2: Ownership: How would you describe the ownership of your company?

Fully local (Kenyan) [ ]   Fully Foreign   [ ]   Mixture of foreign and local [ ]

Does your organization have a corporate parent: Yes [ ]   No [ ]

Type of shareholding:..

Number of directors:..

3: Kindly fill in the following information about your organization:

Year it was formed ....

Year it started operating in Kenya..

Number of employees (in the Kenyan branch)..

Tea Plantation size (Ha.)..

Number of branches in Kenya..

Number of tea processing factories in Kenya..

Average company output/turnover volumes of tea (Kg/year)...

Number of branches outside Kenya..

4: Which part(s) of the tea value chain is your company involved in? Please check [√]inside the space provided.

Production [ ]   Warehousing [ ]   Packaging [ ]   Blending [ ]

Processing [   ]   Sell in the Local Marketing [ ]   Export [ ]

Others (please specify..

....

....

Other Businesses in your portfolio apart from Tea...

....

SECTION II: Turbulence in the business environment over the last 10 years

1:Please kindly indicate (by checking the most appropriate box) how you would describe the speed of changes and newness of developments in the environmental factors listed in the LEFT hand column of the table below as they relate to your business.

	Repetitive (Not changing)	Expanding (Changing Slowly & Incrementally)	Changing (Changing fast & incrementally)	Discontinuous change but predictable	Surprising (Discontinuous unpredictable change)
Political factors					
Government policies					
Regulatory and Legal factors					
Labour movements' demands					
Technology (production & processing)					
Labour vs. capital intensiveness					

	Repetitive (Not changing)	Expanding (Changing Slowly & Incrementally)	Changing (Changing fast & incrementally)	Discontinuous change but predictable	Surprising (Discontinuous unpredictable change)
Socio-cultural & Demographic factors					
Society's attitude towards business entities					
Economic factors					
Environmental or ecological factors					
World Tea prices					
Mombasa tea auction prices					
Competition					
Customer/buyer factors					
Other market conditions					
Supplier factors					
Cost of inputs					
General cost of production					

	Repetitive (Not changing)	Expanding (Changing Slowly & Incrementally)	Changing (Changing fast & incrementally)	Discontinuous change but predictable	Surprising (Discontinuous unpredictable change)
Overall cost of doing business					
Labour market conditions					
Skills required					
Shareholder activism					
Employee activism					
Senior Management's attitude towards junior employees					
Internal structures, systems and complexity					
Product diversification					
Company strategies					
Substitute products					
Currency strength					
Insecurity					

	Repetitive (Not changing)	Expanding (Changing Slowly & Incrementally)	Changing (Changing fast & incrementally)	Discontinuous change but predictable	Surprising (Discontinuous unpredictable change)
Organizational values & norms					

In a few words, how would you summarily describe the rate of change in the business environment over the last 10 years?

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(2) Kindly rank the following factors in order of their importance to your business. Starting with the No. 1(one) for the most important. indicate the rank (inside the space provided against each factor) using the appropriate numerical.

[ ] Politics and Governance

[ ] Relevant regulations

[ ] Economic factors

[ ] Socio-cultural factors

[ ] Environmental & ecological factors/concerns

[ ] Production & processing technology

[ ] Information communication technology

[ ] Competition

[ ] Changes in buyer behaviour/preferences

[ ] Employee morale

[ ] Production costs

[ ] Infrastructure

[ ] Exchange rates

[ ] Mombasa tea auction prices

[ ] World tea prices

[ ] Security

(3) Kindly indicate in the matrix below the major developments that have impacted on your business over the last 10 years, what they meant to you (threats, opportunities, weakness or strength) and your estimations of their impacts on your business. A few have already been listed, you are requested to add as many as you can.

Strategic issue or Development	How did your organization categorize the issue				Issue Impact			
	Strength	Weakness	Opportunity	Threat	Non	Minor	Medium	Great
Liberalization of the tea subsector								
Globalization								
COMESA/EAU protocols								
Regional integrations and trade agreements in your markets								
Change of regime in America								
African Growth Opportunity Act (AGOA)								
Changing consumer behavior								
Mechanization of tea picking								
New Labour laws								
New Tea Act/regulations								
Cost of doing business								
Piracy along the Somalia Coast								
Oil crisis								
Rising Fertilizer cost								
Post election skirmishes								
Exchange rate fluctuation								
Global Financial Crunch								
Inflation								
EUREP-GAP								
Genetic engineering								
Food safety awareness								

Strategic issue or Development	How did your organization categorize the issue				Issue Impact			
	Strength	Weakness	Opportunity	Threat	Non	Minor	Medium	Great
ISO Certification								
Environmental degradation								
Employee activism								
Stevia								

PART III: Real-Time Strategic Issue Management: *(Strategic issues are surpriseful developments or events that arise, either inside or outside of the organization and are likely to have important impact on the ability of the enterprise to meet its objectives. Because these issues arise due to unanticipated deviations in both internal and external environments, they are not normally captured in periodic plans)*

(1) Does your organization undertake long range planning?   Yes [ ]   No [ ]

(2) What is your average planning horizon for the long range plans?

   a) 2 years   b) 3years   c) 4 years   d) 5 years   e) Over 5 years

(3) How often do you review these long range plans?

   a) Yearly

   b) Semi-annually

   c) Quarterly

   d) Monthly

   e) Any time as need arises

   f) Not at all

   g) Others (please specify)---

(4)From experience, to what extent can you accurately predict the future within your planning horizon today?

    a) 0-25%

    b) 25-50%

    c) 50-75%

    d) 75 -100%

(5)How long are your short term/operational plans..

(6)How often do you review the short range/operational plans...

(7)How do you ensure flexibility in your plans and budgets so as to respond quickly to emerging surprisefull events and/or developments in your business environment?

....

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(8) Which of the following statements is true about your organization?

    a) There exists a well organized formal system or department responsible for detecting and managing unanticipated and surpriseful developments and events within and outside the organization which may have significant impact on the company's ability to achieve its objectives.

    b) Such a system or department as described in (a) above exists but is loosely organized and therefore informal.

    c) There is no special department assigned the activities described in (a) above but they are undertaken all the same.

    d) No such system or department as described in (a) above exists and therefore the organization is caught unawares by these surpriseful developments.

    e) There is no need for such a system as the environment is quite predictable and surprises are unheard of.

If your answer is (a), what is the name given to that department...

95

....

What is the title/rank of the person heading the department..

....

How many employees are in that department...

(9) Which areas do you normally study for deviations?

External environment   Yes [   ]   No [   ]

Internal business and Capability issues   Yes [ ]   No [ ]

Performance trends   Yes [   ]   No [   ]

Others (please specify)...

(10) If your response to (8) above was either (a), (b) or (c), please kindly indicate which of the following activities you engage in.

- Detection of internal strategic issues and adoption of passive activities to correct deviations Yes [   ]   No [   ]

- Surveillance of the external business environment and adoption of passive intervention activities in order to influence environmental factors Yes [   ]   No [ ]

- Active intervention to rectify internal deviations when detected   Yes [   ] No [ ]

- Active intervention in the external environment to try and influence factors within it in your favour.   Yes[   ]   No [   ]

(11) If your answer to (8) was (d), kindly explain briefly why your organization might have not instituted such a
system..

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(12) Please kindly indicate (by checking the space below each method) the methods you use in scanning both the internal and external environments. Include any other method that may not be in the list

Print media	Electronic media	Marketing research	Customer analysis	Competitor analysis	Market intelligence	Internet research

Scouting the external environment	Performance Monitoring	Monitoring of other internal parameters	Input-output analysis	Informal contacts	Information from embassies high commissions & consulates

Others (please specify)..

(13) What is your frequency of surveying your business environment for deviations and instabilities?

Continuous	Weekly	Monthly	Quarterly	Semi-annually	Annually	More than yearly	Never

(14) How often do you carry out objective gap analysis (comparing set objectives/targets with actual performance trends)?

(a)Weekly

(b) Monthly

(c) Quarterly

(d) Semi-annually

(e) Yearly

(f) Others (please specify)..

(15) Please indicate (by checking the right space) the Forecasting techniques/methods you use in your organization.

Extrapolation based on past experience.   Yes [ ]   No [ ]

Extrapolation based on historical sales and profit records   Yes [ ]   No [ ]

Scenario Analysis   Yes [ ]   No [ ]

Technological forecasting

Yes [ ]   No [ ]

Economic forecasting

Yes [ ]   No [ ]

Others (please specify)..

....

(16) In which forums do you discuss urgent and critical issues?

Board of Directors meetings	Yes [ ]	No [ ]
Senior management meetings	Yes [ ]	No [ ]
Departmental meetings	Yes [ ]	No [ ]
Special committees and task forces	Yes [ ]	No [ ]
Informal ad hoc meetings	Yes [ ]	No [ ]

Others (please specify)..

(17) Techniques for analyzing strategic issues

Which of the following Tools or Techniques does your organization use in strategic issue analysis?

Technique of Analysis	Yes	No
Impact/urgency of environmental trends		
Existing/current knowledge level about the issue		
Issue Urgency Estimation		
Issue impact estimation		
Cross Impact Analysis (analyzing different but related issues that are likely to impact on an organization simultaneously)		
Issue analysis based on its potential impact on individual Strategic Business Area s(SBA* Impact analysis)		
SWOT Analysis		
Eurequip Matrix (analyzing issues to see if both strengths and weaknesses can be applicable or not in managing a strategic issue)		

Technique of Analysis	Yes	No
Others (Please specify)		

An SBA is a distinct segment of the environment in which the firm does (or may want to do) business. Strategic issues may affect different SBAs differently.

(18) What factors does your organization consider in estimating the impact of Strategic Issues?

Income/gain associated with the issue   Yes [   ]   No [   ]

Possible profit losses associated with the issue.   Yes [   ]   No [   ]

Resources needed for response   Yes [   ]   No [   ]

Time span of associated consequences   Yes [   ]   No [   ]

Others (please specify)...

....

....

(19) Do you prepare a list of priority strategic issues (key issues list)?   Yes [   ]   No [   ]

(20) If yes, how often do you update or review this list?

(a) Weekly   (b) Monthly   (c) Quarterly   (d) Semi-annually   (e) Annually

(f) Others (please specify)..

(21) After assessing the impact and urgency of an issue, what courses of action do you normally take?

Initiate immediate action   Yes [   ]   No [   ]

Continue to monitor   Yes [   ]   No [   ]

Postpone to next planning cycle   Yes [   ]   No [   ]

Drop from priority list (take no action)   Yes [   ]   No [   ]

Initiate a gradual response as knowledge about the issue increases   Yes [   ]   No [   ]

(22) Please indicate at what levels or states of knowledge about strategic issues you normally start your counter actions.

Level of Knowledge	Yes	No
When management knows that some threat or opportunity will occur but their nature, shape and source are still unknown		
Once the source of threat and opportunity is known		
When concrete knowledge about threat or opportunity is available		
Only when management is sure of the type of response needed		
Only when the type of outcome expected is clear		

(23) Free flow of Information in an organization is vital for swift response to surprises, what methods does your company use in order to open up communication channels and/or information sharing?

Method	Yes	No
Intranets		
Extranets		
Written Issue briefs		
Informal contacts		
Internal social networks		
External social networks		
Informal meetings		
Formal Meetings		
Reporting of issues regardless of the laid down chain of command		

(24) What measures has your company put in place to ensure that strategic issues are captured, reported and acted upon in real time?

i.   Integrative and flexible structure.   Yes [   ]   No [   ]

ii.   The manager in charge of strategic issues management system has powers to allocate resources Yes [   ]   No [   ]

iii. The manager in charge of strategic issue management systems has powers to transcend and assign duties across departmental boundaries during crisis.   Yes [   ]   No [   ]

iv.   Flexible budgets and operating plans   Yes [   ]   No [   ]

v.   Open reporting where senior management is accessible to all during crisis.   Yes [   ] No [   ]

vi.   Encourage informal communication between all actors   Yes [   ]   No [   ]

vii. Reward system for early identification and prompt reporting of surpriseful issues.
      Yes [   ]   No [   ]

viii. Reward system for innovativeness, wide vision and risk taking.   Yes [   ]   No [   ]

(25) After a strategic issue has been detected, which of the following activities does your organization undertake in handling the issue? Kindly indicate by checking under yes or no in the space provided.

Activity	Yes	No
Issue characterization to assess whether it is positive or negative		
Setting strategic objectives to agree on what exactly the organization wants to achieve at the end of resolving the issue		
Force field analysis to identify, evaluate and discuss all forces that are driving the issue.		
Stakeholder assessment to identify those who may have influence on the issue and those who may not have any influence but will still be affected		
Scenario mapping to describe the possible conditions that the firm may find itself operating in		
Identification of key players who may have the final say or make scenarios happen or prevent scenarios from happening		

(26) For those companies that have corporate parents, to what extent does the corporate parent perform the roles listed below in connection with managing and responding to surpriseful developments in your business environments?

	Plays no role	Very Small extent	Small extent	Great extent	Very great extent
Detection of deviations					
Sharing of information about deviations in the environment					
Assist with material resources to help deal with surpiseful events developments					
Assists with personnel during turmoil					
Decision making during crisis					
Advice on best strategy					
Capacity building through trainings					

(27) How often have you undertaken the following in order to cope with changes in either your internal or external business environments over the last 10 years?

	Not at all	A few instances	Occasionally	frequently	Very frequently
Change or upgrade technology					
Train or retrain staff					
Internal staff redeployment					
Hire better qualified staff					
Lay off staff					
Shut down certain branches or scale down operations					
Enter collaborative agreements or alliances					

	Not at all	A few instances	Occasionally	frequently	Very frequently
Attempt to or grasp an opportunity that was not in your original plans					
Change or modify product types					
Change Markets					
Change suppliers					
Make drastic changes in order to protect the firm from a looming threat					
Actively go public to protect the image of your organization					
Tried to influence the direction of an impending legislation or policy change					
Tried to influence the direction of any other external development apart from the ones mentioned above (please specify)		—			
Push normal plans to the back ground so that you can deal with emerging new priorities					
Change organizational structure					
Change reporting procedures					
Change organizational culture					
Considered relocating business					

(28)How can you describe the prevailing mode of making critical and urgent decisions in your organization?

(a) Centralized at top management

(b) Delegated to lower managers

(c) Use interdepartmental task force/committees

(d) Others (please specify)

(29)How would you rate the speed at which the top management in your organization responds in handling strategic surprises?

(a) Very fast   (b) Fast   (c) sometimes fast   (d) slow

(e)Very slow

(30)Who in your organization is <u>assigned</u> the duty performing the following roles in the management of unanticipated strategic issues/surprises? External Environment   Internal Environment

	Everybody In the organization	The CEO	Board of Directors	General Manager	Line Managers	Specific Manager	Specific department (specify)	Special task force	Othe (plea spec
Surveillance of the external environment									
Monitoring internal environmental trends									
Issue reporting/ alerting decision makers									
Who is reported to									
Impact/Urgency evaluation									
Custody of key issue list									
Updating of Key issue list									

	Everybody In the organization	The CEO	Board of Directors	General Manager	Line Managers	Specific Manager	Specific department (specify)	Special task force	Othe (plea speci
Assessment of relative importance of an issue									
Decision making about action to be taken									
Assigning responsibility for issue resolution									
Allocation of resources needed for response execution									
Implementing the resolution									

(31) Kindly, describe sequentially the stages you follow in handling surpriseful and critical strategic issues right from the time the issue is detected all through to action assignment and execution. Kindly include in your description how actual activities are <u>performed</u>, the personnel involved and their responsibility in the whole process

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(32) Apart from flexibility in operating plans and budgets, how does your organization ensure flexibility in the following areas?

(i)   Logistical flexibility (configuring resources and capabilities to ensure quick and efficient repositioning to new products and new markets whenever need arises)

....

....

....

Flexibility in machinery and facilities and capacity..

....

....

Organizational flexibility to plan as per the issue at hand as opposed to what structures dictate..

....

....

(33) Members of your organization may differ on their assessment of the same issue e.g. whether a particular issue is favourable(+ve) or unfavourable(-ve), the degree of impact on the organization, and its urgency. How do you build consensus in such instances?

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Thank you very much