

**STRATEGIC RESPONSES TO COMPETITIVE ENVIRONMENT BY
SOUTH NYANZA SUGAR COMPANY LIMITED**

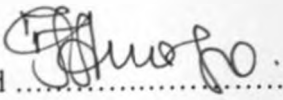
ZABLON ODUOR JOWI

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DECLARATION

This management Research Project is my original work and has not been presented for award of a degree in any other university.

Signed 

Date.....12.11.2010.....

Jowi Zablon Oduor

D61/8849/2006

This management Research Project has been submitted for examination with my approval as the university supervisor.

Signed.....

Date.....12/11/2010.....

Dr. Wahome Gakuru

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

This project is dedicated to my parents, Charles and Joyce Jowi with much love.

ACKNOWLEDGEMENT

While it is not possible to individually thank everyone who contributed to the conclusion of this research project, I remain sincerely grateful to you all. I however wish to specifically thank the following people whose assistance was of immense importance.

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Finally, to God Almighty for favouring me with life and strength to have come this far.

ABSTRACT

Competitive environment is crucial to a firm's success since no business functions in a vacuum. As a result, a company needs to develop a competitive advantage to overcome threats provided by its competitive environment.

The sugar industry in Kenya has experienced myriad of problems posed by operating environment. As a result self sufficiency in sugar for the country has remained elusive over the years as consumption continues to outstrip supply. Past research has shown that Kenyan sugar companies have remained uncompetitive due to stringent operating environment and political interferences. Kenyan sugar companies must therefore craft strategies that will ensure the survival of their businesses by effectively responding to competitive environment. This research was thus carried out to examine how sugar companies in Kenya are strategically responding to challenges posed by their competitive environment.

The research was a case study on South Nyanza Sugar Company, a local sugar company and data was collected through interviews. Some of the findings of the study are that SonySugar has strategically responded to the influence of its competitive environment through diversification by introducing other products such as cogeneration to increase their revenues streams and by undertaking aggressive marketing to reach most of its customers. They have also revamped their information technology platform through installation of enterprise resource planning to ensure timely availability of information for decision making.

The recommendations of the study are that SonySugar should pursue government assistance to convert their debts into equity and also to provide them with guarantee to enable them source cheap funds to implement their identified strategies. The company's privatisation should also be pursued to reduce the current political interferences that hinder its smooth operation.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

An organization is basically a group of people who are striving towards a common goal and in this process they control their own performance and have a boundary which separates them from their environment. All types of organisations are in existence to serve different needs of their stakeholders. It is in the process of satisfying these needs that they have to ensure that they exist long enough to be able to retain sustainable benefits to the stakeholders who created them. Organisations have to justify their continued existence in society by their activities (Aosa, 1992).

Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved, assesses its competitors and sets goals and strategies to meet all existing and potential competitors, and then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, new economic environment, or new social, financial, or political environment. It requires acquiring a proactive mindset that concentrates on where the firm is now, where it wants to go and how to get there (Lamb, 1984).

A business does not function in a vacuum but within an environment. It has to act and react to what happens outside the factory and office walls. These factors that happen outside the business are known as external factors or influences. External environment refers to factors outside the organisation that influence the way the organisations operate. It is everything that is outside the organisation boundaries that directly impacts on the

success of the organisation. External environment provides the opportunities and threats for the organisation. The external environment faced by the firm and its business units affects the strategy of the firm, the value of the strategy, and thus the firm's performance. Environmental analysis is therefore not a passive exercise, but rather an active and essential input to strategy development, helping the firm and its business units to identify attractive opportunities and make decisions on where and how to compete. These will affect the main internal functions of the business and possibly its objectives and strategies.

The main factor that affects most businesses is the degree of competition, how fiercely other businesses compete with the product that another business makes. The other factors that affect the business are social, legal, economic, political, technological and ethical factors. Environment is crucial to a firm's success and can be relatively stable or highly turbulence. Each level of environmental turbulence has different characteristics, requires different strategies and requires different firm capabilities. There is therefore need for continuous strategic diagnosis by firms to their environment to enable them come up with the most beneficial strategic responses to challenges posed by the environment (Pearce and Robinson, 2000).

1.1.1 Strategic Responses to Competitive Environment

Survival and success for an organisation occurs when an organisation creates and maintains a match between its strategy and environment and also between its internal capability and the strategy (Grant, 2002). An organisation must harness its tangible and intangible assets to maintain a strategic fit between its strategy and environment. If this

fit is not formulated and timely implemented, then a strategic gap will exist in the organisation. Challenges presented by the changes in the external environment necessitate a business to design strategies that appropriately respond to the challenges and ensures the business has got a competitive edge in the competitive external environment (Sababu, 2007).

How an organisation manages its environment can enable it overcome threats including competition posed by other players in its industry. Competition is a contest between organizations for territory, a niche, or a location of resources. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 1999). Looking beyond the organisations' immediate operating environment to the industry in which it competes has long been advocated (Dess and Origen, 1980). The essence of formulating a competitive strategy is relating the company to its environment and the key aspect of the firm's environment is in the industry in which it competes (Porter, 1980).

Strategy is creating a fit between the external characteristics and internal conditions of an organisation to solve a strategic problem which is a mismatch between the internal characteristics of a firm and changes in the external environment (Aosa, 1998). There is always a need to formulate a set of actions and decisions that matches these changes to enable the organisation to maintain a competitive advantage which will guarantee its continued survival in a competitive environment. Competitive advantage is having an edge over rivals in attracting customers and defending against competitive forces. Five factors that determine the nature and degree of competition in an industry are bargaining power of buyers, threat of substitutes, bargaining power of suppliers, rivalry among

existing competitors and threat of new competitors (Porter, 1985). A competitive advantage therefore exists when a firm has a product or service that is perceived by its target market customers as of better quality or value than those of its competitors. Organisations must strive to create this competitive advantage through constant formulation and implementation of strategic responses to its ever changing environment to ensure that it continues to satisfy the desires and expectations of its stakeholders. An edge over rivals in attracting customers and defending against competitive forces usually come in the form of superior profits in the industry. Strategic responses involve changes in the firm's strategic behaviour to assure success in the changing future environment. The relevance of a response adapted by a firm is measured by how well it has countered the challenges emanating from external and internal environment (Ansoff and McDonnell, 1990).

1.1.2 Global Sugar Industry

Most people generally appreciate sweet tastes. This has led to the development of more food products containing sugar and the addition of more sugar to existing products, accompanied by a steady growing average domestic intake of sugar by consumers. Sugar has remained one of the most sought commodities in the World for both domestic consumption and industrial use, which in turn has globally fueled increase in its production. The bulk of sugar worldwide is produced from raw sugarcane. Sugarcane is a renewable, natural agricultural resource because it provides sugar, besides biofuel, fibre, fertilizer and myriad of other by products with ecological sustainability. The crop's lifecycle is five years made up of first crop, agriculturally referred to as plant crop, maturing at 18 months, first and second crops, referred to as first and second ratoons,

both maturing at 16 months. Sugarcane juice is used for making white sugar, brown sugar, jaggery and ethanol. The main byproducts of sugar industry are bagasse and molasses. Molasses, the chief by-product, is the main raw material for alcohol and thus used in alcohol-based industries. Excess bagasse is now being used as raw material in the paper industry. Besides, co-generation of power, using bagasse as fuel is considered feasible in most sugar mills (Illovo Sugar, 2009).

Sugarcane growing countries of the world are lying between the latitude 36.7 degrees north and 31.0 degrees south of the equator extending from tropical to subtropical zones. Worldwide, sugarcane occupies an area of 20.42 million hectares with an average annual total production of about 160 million metric tonnes. Sugarcane area and productivity differ widely from country to country. Brazil has the highest area under cane of 5.343 million hectares, while Australia has the highest productivity of 85.1 tonnes/hectare. Out of 121 sugar producing countries, 15 countries namely Brazil, India, China, Thailand, Pakistan, Mexico, Cuba, Columbia, Australia, USA, Philippines, South Africa, Argentina, Myanmar and Bangladesh has 86 percent of area under cane and accounts for 87.1 percent of global production. Out of the total white crystal sugar production in the world, approximately 70 percent comes from sugarcane and 30 percent from sugar beet (Sharpe, 1998).

Africa has been known for centuries for sugar industry and Egypt is one of the oldest African countries known for sugar production. The most important sugar producing regions in Africa are northern and southern regions. Sugar industry in Africa is one of the key industries which contribute in providing jobs for the growing unemployment as

well as instrumental in rural development. The major African sugar producing countries are Mauritius, Egypt, Sudan and South Africa. Sugarcane farming in African continent is however manually done in small scale and depends largely on the rain-fed agriculture rather than on irrigated land. There is no doubt that Africa has great potential to expand sugar cane cultivation and sugar industry, but it also need support for projects such as construction of dams to provide water for irrigated agriculture (Hassan, 2005).

Total world sugar production in 2007 was 149.7 million tonnes. Africa ranked in the fifth place among other continents in the production of sugar in this year. It produced about 10.6 million tonnes, equivalent to about seven percent of total world sugar production. Globally, sugar industry has continued to experience numerous problems ranging from unstable world prices to continued pressure of diversification which has seen world producers such as Brazil consuming most of their produced sugar in manufacturing of fuel. The price of refined sugar is expected to reach a 20 year high of 30 cents per pound on the commodity market in 2010 due to interruption of production as a result of drastic variation in weather patterns in Brazil and India (Illovo Sugar, 2009).

1.1.3 Kenyan Sugar Industry

Sugarcane was introduced in Kenya in 1902 by the Asians who had come to build the Kenya-Uganda railway. The first sugar factory was established at Miwani near Kisumu City, Nyanza Province in 1922 and later at Ramisi at the Coast Province in 1927. After independence, six additional companies were established namely Muhoroni (1966), Chemelil (1968), Mumias (1973), Nzoia (1978), South Nyanza (1979) and West Kenya Sugar (1981). Since then, government has been widely involved in the expansion of

sugar production through investments in sugar factories. There are currently six functioning sugar factories in Kenya out of which one, West Kenya Sugar Company is entirely privately owned. Mumias Sugar Company was privatized in late 2001, with government still retaining majority shareholding. The remaining factories are all government owned. There are also over 150 jaggeries in the country (Kenya Sugar Board, 2007).

The story of the sugar industry in Kenya has however not been sweet due to myriad of problems that the industry has faced since its inception. Despite heavy investment in sugar industry in Kenya, self sufficiency in sugar has remained elusive over the years as consumption continues to outstrip supply. Total sugar production grew from 368,970 tonnes in 1981 to 520,000 tonnes in 2009. Domestic sugar consumption increased even faster, rising from 324,054 tonnes to 740,000 tonnes over the same period. Consequently, Kenya has remained a net importer of sugar with imports rising from 4,000 tonnes in 1984 to an all time high of 249,336 tonnes in 2001. The country on average imports 200,000 tonnes of sugar per annum to bridge the deficit between domestic production and consumption (Kenya Sugar Board, 2007).

Approximately five million people depend on sugarcane farming in Kenya either directly or indirectly. Most sugarcane farming in Kenya takes place in Western Kenya. Previously some sugarcane was grown in parts of Coast Province. 88 percent of the total area under sugar cane in Kenya is undertaken by outgrower farmers. The majority are small-scale growers, whilst the remaining area is largely under sugar factories in the form of nucleus estates. Price and market liberalization under the World Trade Organization (WTO) and

other trading arrangements under East African Community (EAC), Common Markets for East and Southern Africa (COMESA), and African Caribbean and Pacific European Union (ACP-EU) have precipitated stiff competition to the domestic sugar industry. The domestic industry has also continued to face other numerous challenges arising from its external environment such as increased debt portfolio, high cost of production, delay in payments to farmers due to poor financial performance, high cost of inputs, high processing costs, and unpredictable rainfall pattern among others (Kenya Sugar Board, 2007).

The regulator of the sugar industry in Kenya is Kenya Sugar Board (KSB), under the Ministry of Agriculture. Before the enactment of the Sugar Act of 2001, there was no coherent policy covering such crucial industry production and marketing issues such as cane development and mechanism for pricing sugarcane and sugar. The Sugar Act 2001 now in force will be amended and made fully operational. The new cane pricing formula linking the cane price to sugar price and cane quality, once implemented, will have the effect of stabilising sugar prices and improving millers' margins derived from sugar sales. Although the Sugar Act stipulates that the sugar factories focus on milling and selling of sugar while the farmers are left with the responsibility for cane development, most outgrowers companies in Kenya, for the time being, does not have the capacity to provide the necessary services to the farmers for cane development. Sugar companies therefore continue with cane development activities. Kenya will continue to import sugar since the quantity produced by all the local sugar companies is insufficient to meet the demand, with an annual shortfall of over 200,000 metric tonnes. However, the importation has been bedevilled by corruption by unscrupulous people out to make super

normal profits from it, leading to influx of cheap imported sugar which the local sugar companies cannot compete against. Kenya is also a member of Comesa and has to open up its boundaries to competition from other member countries. It however requested for a further extension of the grace period for opening up its markets for unlimited sugar imports to 2012 following expiry of 2008 deadline. The objective is to make the local sugar companies competitive by reducing their production costs. However little has been done to date, making the industry in danger of extinction when the Comesa grace period elapses in 2012 (Kenya Sugar Board, 2007).

1.1.4 South Nyanza Sugar Company

South Nyanza Sugar Company Limited (SonySugar) was established in 1976 under an Act of Parliament with the objective of increasing national sugar production to reduce dependence on importation, creating employment opportunities and enhancing regional development. SonySugar is located in Rongo District of Nyanza Province and it lies 160 km South of Kisumu City. The company is owned by the Government of Kenya (GoK) as the major shareholder (98.8 percent) and Industrial and Commercial Development Corporation, ICDC (0.71 percent), Industrial Development Bank, IDB (0.28 percent) and Mehta Group International, MGI (0.21 percent) as the minority shareholders. The Management of SonySugar has changed over the years from Mehta Group International at inception in 1976 to Booker Agricultural International (Booker Tate Ltd) in 1985 and finally reverted to Kenyan management in March 2000. SonySugar is a key player in the sugar sub-sector serving over 30,000 farmers spread in the seven districts of Homa Bay, Gucha, Transmara, Kuria, Migori, Uriri and Rongo. The company basically processes sugarcane into mill white sugar. It has a crushing capacity of 3,000 tonnes of sugarcane

per day (TCD) and gets its supply of sugarcane mainly from contracted outgrower cane farmers and its nucleus estate (South Nyanza Sugar Company, 2009).

1.2 Statement of the problem

The business environment in Kenya has drastically changed during the 1990s and the most viable of these changes has been economic reforms which led to liberalization and privatization of state owned companies (Obado, 2005). These environmental changes have created numerous challenges to organisations which operate locally and have continued to threaten their survival. In response, organisations have been forced to change their strategies to ensure their survival in this turbulent environment. Most organisations in Kenya have adopted several strategies in dealing with the challenges brought about by globalization and liberalization (Kibera and Wairuingi, 1998). In recent years, the performance of the Kenyan sugar sub-sector in general and that of the sugar factories in particular has been a source of concern to the national economy. Kenya has not realized its dream of achieving self-sufficiency in sugar production despite the huge investments in the sub-sector. Local sugar manufacturing companies in Kenya have remained uncompetitive in both local and regional markets which many stakeholders including millers, cane farmers and sugar dealers attribute to the liberalized sugar market (Obado, 2005).

The Kenyan sugar industry is currently unstable; this is as a result of destructive political economy that has seen corruption, mismanagement, and lack of goodwill in its ranks. The cost of production for sugar cane growers has been high and thus there has been a decline in sustainability and efficient growth in the industry. As a result dumping of imported

sugar has found its way in the local market due to trade liberalization, which threatens the local industry. Presently, some sugar factories are in receivership while some are faced with imminent collapse due to huge debt burden and the inability to sustain their operations since they are not able to break-even (Odek, et al 2003). The industry therefore requires continues and co-ordinated radical strategic responses to these environmental challenges to enable it continue meeting the intended objective of self sufficiency and profitability to the stakeholders. These responses will have to be initiated by all stakeholders namely growers, millers, government, technocrats and policy makers (Kenya Sugar Board, 2007). SonySugar Company has continued to face a number of problems such as heavy financial debts, poor financial performance, and inability to pay for cane supplied in time, poor road network and heavy operating costs for a number of years. The Company has been posting huge trading losses in the last decade of its operation and has continued to witness dwindling market share due to drastic changes in its external environment. The Company needs to devise sustainable strategic responses to these challenges to enable it continue to survival to meet its stockholder's desires.

There are a number of studies that have been done to find how various organisations have responded to environmental challenges. Obado (2005) studied the competitive strategies employed by the sugar manufacturing firms in Kenya. He observed that most sugar companies have remained uncompetitive due to stringent operating environment. Murgor (2008) studied strategic response of sugar companies in Kenya in the face of changing environmental conditions and he concluded that the government needs to privatise all state owned sugar companies to make them more efficient. Okunyanyi (1999) studied reasons why sugar firms are failing to compete efficiently within the liberalized trading

environment in Kenya and concluded that there are numerous taxes and levies by government which has made locally produced sugar too expensive in comparison to imported sugar. These studies have not focused on the strategic responses that SonySugar has adopted to survive in its ever changing business environment. The company is unique to other local sugar companies based on its location and a more focused study is required to ascertain how it has responded to these environmental changes threatening its survival.

The changes in the business environment require implementation of new strategies to ensure continued existence of the local sugar companies and leads to the questions; how has SonySugar responded to the challenges posed by its business environment? What challenges have they faced in implementing their chosen strategic responses to changes in the business environment? How does SonySugar handle these challenges in the face of a volatile sugar industry to remain competitive? The study was therefore to find out what strategies have been adopted by SonySugar in response to the challenges in its business environment.

1.3 Objectives of the study

The objectives of this research were to;

- (i) Identify the environmental challenges facing South Nyanza Sugar Company Limited.
- (ii) Establish what strategic responses SonySugar has adopted to address changes in its competitive environment.

1.4 Significance of the study

The study is invaluable as it has established SonySugar's responses in the face of increased competitive environment and also identified forces in the external environment affecting their organisation and possible responses to these forces. The findings are also expected to enable SonySugar identify any strategic gaps in its strategic plan and how to address these gaps through development of more vibrant strategic responses to counter the threats.

1.5 Scope and Limitation of the study

This study covered strategic responses by SonySugar Company to its business environment and involved interview of key managers within the company. The limitation arose due to time and costs constraints considering that this is a self sponsored study. The focus was therefore on internally available resources within the company with a lot of reference to the industry regulator, Kenya Sugar Board.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on the concept of strategy, strategic responses to environmental challenges, changes from trade liberalization, effects of debt on financial performance, sugar markets, new technologies, farmers' attitude towards cane growing, pricing of sugar cane, utilization of by-products and government levies on sugar.

2.2 The Concept of Strategy

Strategy may be defined as the broad program and goals to help an organisation achieve success. Strategy is the match between an organisation's resources and skills, the environmental opportunities and risks it faces, and the purposes it wishes to accomplish. The environment is changing rapidly and it is important for an organisation to constantly adapt its activities to reflect the new requirements of the environment. Having a strategy therefore enables an organisation to ensure that the operational decisions are made with the long term interests of the organisation in mind. Without strategy, operational decisions could have a negative impact on the long term objectives of the organisation (Bruce and Langdone, 2000).

The first step towards crafting adequate responses to market dynamics is a thorough understanding of the environment in which the organisation operates. This requires thinking strategically about two aspects of the company's situation, namely the industry and competitive environment in which it operates and forces acting to reshape this environment. Strategy can be viewed as building defence against competitive forces or as filling positions in the industry where forces are weakest (Pearce and Robinson, 2000).

Porter (1980) sees strategy as being all about competition and trying to gain competitive advantage. Strategy can also be viewed as a pattern of actions and resource allocations designed to achieve the goals of the organisations (Bateman and Zeithaml, 1990).

The main challenge that managers are faced with is to ensure the continued existence and success of the organisation which they manage. These organisations can only be successful if they adjust to meet the environmental challenges. Strategy therefore enables managers to deal with potential problems that may face their organisations. Consequently, strategy is a tool that offers significant help for coping with turbulence confronted by organisations (Ansoff and McDonnell, 1990).

2.3 Strategic Responses to Environmental Challenges

Pearce and Robinson (2000) define strategic response as the set of decisions and action that result in the formulation and implementation of plans designed to achieve a firms objectives. It is thus a reaction to what is happening in the environment of the organisation. The modern approach to strategic planning has developed as a response to increasing challenges caused by high environmental turbulence (Aosa, 1992). Determining the need to respond is a complex process as managers' first need to recognise the factors necessitating the response. However, managers have difficulties in determining that something is going wrong in their organization as problems may develop gradually and the organizational performance may decline for a number of years before it becomes obvious that there is need to respond. Response become inevitable once the managers realise that there is a gap between the desired performance and the actual performance occasioned by decline in profitability, share price, return on

investment, and loss of market share among other key performance indicators (Hall, 2001).

Response needs to be systematic as well as drastic. Most of the times, before response, the environmental opportunities need to be examined and threats that might explain the problem identified and root cause analysis established. Firms have to respond strategically to environmental factors in order to be able to survive (Hamel and Prahalad, 1993). One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry and reduces the profitability of the players. Firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core strengths, firms are able to concentrate on areas that give them a lead over competitors and provide a competitive advantage. Core strengths are more robust and difficult to imitate because they relate to the management linkages within the organisations value chain and to linkages in supply and distribution chains (Thompson and Strickland, 1999).

Hall (1980) studied how large manufacturing corporations in America were affected when their external environment became turbulent. The success formulas which brought prosperity when the environment was stable were no longer working and were being replaced with strategic choices that were becoming essential to survive in a hostile environment. Organisations therefore needed to re-direct their attention to re-defining their business as a crucial step to formulation of survival strategies. Organisations must adapt their strategies to new environments (Ansoff, 1999). It is necessary for organisation to utilize environmental scanning techniques so as to predict environmental changes.

Such scanning involves studying and interpreting social, political, economic and technological events so as to identify trends that could eventually affect the organisation. Environmental scanning enables the manager to become aware of developments that could pose new opportunities and threats to the organisation (Thompson and Strickland 1993).

Porter (1980) suggested generic competitive strategies which can assist a firm develop a competitive edge over its competitors in a competitive environment. He suggested that a firm could develop a strategy of overall cost leadership, differentiation strategy and focus strategy. Ansoff (1999) discusses the role of general management in the organisations strategic response. He states that for an organisation to implement a strategic response, three components are essential. These are the right climate (will to respond), competence (ability to respond) and capacity (volume of response). It is the responsibility of the general management of the organisation to ensure these essential components are achieved. Aosa (1992) observed that the modern approach to strategic planning has developed as a response to increasing challenges caused by high environmental turbulence. The business world is becoming very dynamic and a crucial responsibility for managers will be ensuring the firm's capacity for survival. This will be done by anticipating and adapting to environmental changes in ways that provide new opportunities for growth of profitability (Pearce and Robinson, 2000).

Another critical tool in crafting essential survival strategic responses is strategic diagnosis which is a systematic approach to determining the changes that have been made to a firm's strategy and internal capacity in order to assure the firm's success in the future

environment. Strategic diagnosis helps the organization in determining changes to be made to its strategies and internal capabilities. Restructuring, shrinking selectively, marketing and cost cutting constitute strategic responses that firms use when the environment changes. The recent past has also witnessed a surge of alliances among major corporations around the world. These alliances tend to be strategic formed in direct response to major strategic challenges facing the partner firms. The primary driver of strategic alliances is the emergence of intense competition, which has rendered simple but time tested strategies, a staple of major corporations less effective. Firms must constantly innovate to forge ahead of equally innovative rivals throughout the world. They must develop capabilities, often simultaneously in a number of areas, including technology development (Mpungu, 2005).

Culture change, diversification, sound financial management, continuous research and development and automation are other strategic responses that can be used by the organisations in response to changes in competitive environment. The essence of the problem of dynamic economic conditions lies in prediction. Business entities therefore need to be flexible enough to accommodate a dynamic business environment brought about by numerous factors including the phenomenon of globalization and competitive local environment (Torrence, 1992).

An organisations' success is therefore much determined by its ability to effectively respond to the fast changing and turbulent external environment. Turbulent external environment requires real time response to ensure success of the organisation. Successful organizations will be those that are able to quickly turn strategy into actions, manage

processes intelligently and efficiently, maximize employee contribution and commitment and create the conditions that are seamless for change (Ulrich, 1998).

2.4 Environmental Changes in Sugar Sub-sector

2.4.1 Trade liberalization

Before the emergence of trade liberalization, the selling price of sugar was controlled by the government at three levels namely: ex-factory, wholesale and retail. During these days, pricing was being fixed after factory production costs were put into consideration. This is no longer feasible with the liberalized markets. Following liberalization of the sub-sector, the sugar factories are now subjected to competition beyond the Kenyan borders and are to consider such factors as quality, conducive trading environment, production costs, alternative production methods, alternative uses for the by-products etc (Ojera, 2001). With liberalization, the scenario in sugar price determination has changed, heralding the era of import parity pricing. Kenya being a price taker in the world sugar market has to use the import parity price as a guide for local production costs (Njeru, 1991).

Research based on a number of parameters such as analysis of sugar held in stores by the millers, analysis of farmers' problems, import prices, local sugar retail prices, production levels, challenges and way forward for the sub-sector etc. recommends that further work is necessary on why the local sugar factories costs are higher than those in other countries. The research also reveals that even with protectionism, the industry still looks unstable with complaints of slump prices. Sugar prices have been fluctuating widely making the revenues of the factories and other stakeholders unpredictable. Liberalization

of the sub-sector compounded its problems considering the low cost of sugar production by foreign countries particularly those that do not depend entirely on sugar alone as their main product. Comesa countries are also known to produce sugar at a substantially low cost compared to local sugar industries (Maua, 2008).

2.4.2 Effects of Debt on Financial Performance

The performance of the local sugar factories has for a long time been on a downward trend earning them a lot of negative publicity within the East African and COMESA region. Further analysis of the reports of the local sugar industries shows that even for the few that have recently posted some profits, the debt ratios are still high meaning that they are highly geared and may not be able to stand on their own should the creditors and financiers demand back their debts. A quick comparison of the factory debts against other parameters is that the sugar factories which form the hub of the sugar industry are highly indebted and may not recover without a major reorganization and modernization of the production processes through sustainable strategic responses (Ministry of Agriculture, 1999). The factories are faced with various problems ranging from poor institutional governance, weak financial base, weak outgrower institutions, high cost of inputs and poor management to high cost of production, which have adversely affected their profitability and general economic performance. With the economic slump witnessed in the sub-sector, most factories are unable to meet their financial obligations such as loan repayments, some of which are denominated in foreign currencies. The sugar factories and grower institutions are best described as technically insolvent and therefore cannot attract new investors. This situation forces them to satisfy their working capital needs through short term financing like bank overdrafts which are very costly to service due to

exorbitant interest rates charged by Commercial Banks to access these short term facilities. The debts written off and the provisions for debts in their books manifest lack of aggressiveness in managing the finances of the factories (Kenya Sugar Board, 2007).

2.4.3 Sugar markets

The raw sugar producing countries are expanding production of white sugar to meet their own domestic demands and for export to countries without refined sugar production. The raw sugar export market, on the other hand, is increasing in volume, primarily because of increases in fructose syrup utilization in the U.S. and Europe and White beet sugar production in Europe. Decline in refinery production, weather interferences in world sugar producing countries of India and Brazil and the quota purchase system in the U.S. have increased the quality specifications in the raw product. The proposed sugar reforms of the EU sugar regime tabled by the European Union in 2005 recommended the slashing of sugar prices by 39 percent over a four year period. This threatens to devastate the economies of ACP/LDC countries supplying sugar to Europe under the EU-ACP sugar protocol. Competition and over production in the world market adds impetus to this situation (Kenya Sugar Board, 2007).

Sugar producers must therefore consider higher product quality to sell on a liberalized or competitive market. There are many advantages to the producer, in addition to the competitive advantage. Higher product quality is concurrent with better yields, lower sugar losses, and offers price and other incentives to the producer. But export markets are not the only consideration; the production of white sugar by raw sugar producers, for instance, is on increase due to the constant upsurge in usage in the industrial and

pharmaceutical sectors (Kenya Sugar Board, 2007). Kenya is still a net importer of sugar, mainly refined sugar but other types of sugar are now found on the liberalized market which is cheaper than the locally produced mill- white sugar. The situation calls for concerted effort by the sugar industry to look into ways of increasing through-put, reducing production costs through improved efficiencies so that the locally manufactured sugar can enjoy economies of scale and compete favourably with imported sugar from the local and regional markets. Local sugar industries must also strive to improve the quality of the sugar they produce to enable them compete with sugar from other countries. Sugar prices have been fluctuating widely making the revenues of the factories and other stakeholders unpredictable (Maua, 2008).

2.4.4 New Technologies

Investment in sugar industry has been stepped up and long-overdue rationalization and modernization is now under way, focusing on beet agriculture, factory automation, efficient use of energy and water and improvement of sugar quality to compete with the best in the world. In Kenya, Mumias sugar factory has taken the lead in embracing new technology with the installation of a diffuser and factory automation processes (Mumias Sugar Company, 2009). In Mauritius, a number of sugar factories which were manufacturing sugar for export to the EU market closed down when the agreement came to an end because of failure to invest in modern technology that would reduce their costs of production. Many sugar factories all over the world that have not responded to modern methods of production have been facing similar problems and they find it difficult to survive where prices are left to the market forces of supply and demand. Most of the local factories operate below their rated capacities of through put due to

operational difficulties like use of old mill technology and cane shortage. On the other hand some factories are unable to cope with the glut of cane due to poor planning leading to lost milling opportunities (Illovo Sugar, 2009).

2.4.5 Farmers' attitudes towards Cane Farming

Most farmers feel that cane growing is no longer profitable and hence does not satisfy their desired economic needs. This scenario is occasioned by high costs of agricultural inputs particularly fertilisers and levies charged by companies on outgrowers services rendered to the farmers. Farmers' lobby groups are encouraging the government to close sugar companies arguing that they are heavily indebted and that they are living in debt. These groups have even attempted boycotts over unpaid cane proceeds and more recently the transfer of SDL from the consumer to the farmer. An investigation of the effects of economic liberation on the sugar sub-sector in Kenya cited the source of farmers' dissatisfaction as lack of money occasioned by delayed farmers' payments due to poor cashflows of the sugar factories. The study carried out in 2001 revealed that only 57 percent of the farmers across the cane growing zones see sugar cane growing as satisfactory, with most describing sugarcane as a good venture. This group with the opinion that the sugar sub-sector in Kenya has a solid future however cited delayed payments, rising cost of input charges relating to fertilizers, loan interest and harvesting and transport charges as not healthy (Ojera, 2001).

2.4.6 Pricing of sugarcane

The pricing of sugarcane is one of the most crucial determinants of profitability. It is one of the most important variables in the growth and sustainability of the sub-sector. This is

for the simple reason that the revenue collections and profitability rely on the selling price of the product. In the liberalized Kenyan sugar market, specific standards are normally stated in purchase contracts for imported sugars. It therefore remains between willing seller and willing buyer to peg the price on quality parameters. Though the government has subscribed to the liberalization treaties, it has not reflected this by her efforts to control the price of sugarcane, which accounts for more than 65 percent of the factories inputs. Sugar prices have been fluctuating widely making the revenues of the factories and other stakeholders unpredictable. The pricing aspect of the commodity has had far reaching influences on the industry. There have been attempts to peg the price of cane to the sucrose content as stipulated in the Sugar Act 2001 but this has not been implemented due to technicalities. Thus prices have continually been fixed on political realities or pressures with no proper basis (Waringa, 2003).

2.4.7 Utilisation of By-products

There are a number of by-products in the sugar manufacturing process. These include molasses, baggasse, and filter press mud. Technological developments world over has made it possible for these by-products to be used as raw material in the production of other products. The slump of sugar price in the world market coupled with instability of same prices has affected factories that breaking even and achieving profitability without diversification into the manufacture of other useful products from the by-products is difficult. In Kenya the factories have not fully taken the advantage of this new development except Mumias Sugar Company which in its leadership role has diversified into power production and currently produces 34 mega watts of electricity of which 26 mega watts is exported to the national grid. Mumias still maintains its dominance in the

sugar manufacturing sector with a 60 percent market share. To ensure sustainability in its future the company is in the process of establishing an Ethanol Distillery plant. Other companies are finding it quite difficult to imitate these initiative to enable them diversify their sources of income and eliminate dependence on one product, sugar (Mumias Sugar Company, 2009).

2.4.8 Government Levies on Sugar

Sugar is heavily taxed in Kenya and this partly contributes to its poor performance as the companies' operating costs are not covered by the price of sugar. Currently the levies imposed on the product are 16 percent Value Added Tax (VAT) and 7 percent Sugar Development Levy (SDL). Sugar should be classified and treated as a special and sensitive commodity due to its multifunctional role as most countries in the world do. Additionally, it should also be considered a basic food and zero-rated in terms of VAT in order to reduce consumer prices. Further to reducing or eliminating tax on sugar as a commodity, the government should reduce levies and taxes on sugar inputs (fuel, fertilizers, farm implements) to lower the costs associated with growing cane and make Kenyan sugar more competitive vis-à-vis imported sugar. The upfront taxes, escalating overhead costs and reduced production in the sub-sector impact negatively on profitability.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focus on the methodology, techniques and tools that were used in the study. It attempts to outline the approach used in data collection, analysis and presentation. The approach used in data analysis is in line with the research objectives which the researcher studied.

3.2 Research Design

The researcher employed a case study research design to collect and analyze relevant data. The design brought a clear understanding of the objectives and will add strength to what is already known through previous research. It emphasized detailed contextual analysis of competitive environment and strategic responses and their relationship. The researcher investigated the objectives of the study in depth using a variety of data gathering methods to produce evidence that leads to understanding of the case and answered the research questions which targeted critical staff in SonySugar Company Limited. The design was relevant to the objectives of the study. SonySugar Company Limited was chosen for the case study given that it met the criterion that was relevant to the theory underlying the research. The aim was to obtain an in-depth understanding of how South Nyanza Sugar Company Limited has managed its strategic responses to its competitive external environment and how these responses have made them to overcome the challenges posed by the environment. Aosa (1992) argues that a study with a narrower focus would achieve greater depth thereby providing further insight of the strategic change management practices in Kenya.

3.3 Data Collection

Relevant data was collected focusing on the strategic responses within South Nyanza Sugar Company Limited. Information was collected on the challenges experienced and how they have been managed, factors that are deemed conducive to the change process and strategies of sustaining the change achieved. Primary data was collected through interviews of senior managers at SonySugar Company Limited. An interview guide was prepared to assist in the collection of the qualitative data. Interview guide was more appropriate for the purposes of getting detailed information in the area of this study. Secondary data was collected from annual reports of Kenya Sugar Board and SonySugar Company, management accounts, Strategic plan, Newsletters, Magazines and other relevant documented materials.

3.4 Data Analysis

Content analysis was used considering the qualitative nature of the data that was collected through in-depth personal interviews. This technique uses a set of categorization for making valid and replicable inferences from data to their context (Baulcomb, 2003). The data was broken down into the different aspects of strategic responses, arranged into logical groups and analyzed. This offered a systematic and qualitative description of the objectives of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter covers the analysis of the data obtained and the findings of the study. The data analysis has been done in line with the objectives of the study, which were to identify the environmental challenges facing South Nyanza Sugar Company Limited and to establish strategic responses the Company has adopted to address these challenges.

4.2 Analysis of Responses

To achieve the objectives of the study, the interview targeted twelve senior managers at South Nyanza Sugar Company Limited drawn from various departments and divisions. The departments and divisions whose managers were interviewed are; Agriculture, Manufacturing, Internal Audit, Public Relations, Finance, Marketing and Business Development, Human Resources, Information and Communication Technology, Company Secretariat, Procurement, Harvesting and Transport and Corporate Strategic Department. The staffs of these departments and divisions are crucial in ensuring that the company's strategic objectives are met. Nine managers from the listed departments and divisions availed themselves for the interview for this study. They all gave response to all the interview questions as contained in the interview guide. This study therefore attained a response rate of 75 percent.

According to the findings of the study, 75 percent of the respondents have worked for the company for a period of ten years and above and understand the company's operations and history quite well. The respondents have different roles in strategy formulation and implementation within the company. Some of these roles include ensuring availability of

quality cane for manufacturing, timely processing of farmers' payments, monitoring implementation of the company's strategic objectives and formulation of key performance indicators. The company has a five year strategic plan running from 2009 to 2014 and all the departments were involved in its formulation according to the respondents. Respondents also indicated that the company reviews its strategic plan annually and from this exercise develops annual strategic objectives whose achievements are monitored by Corporate Strategic department.

The interviewees responded differently to the question on their perception of the environment under which the company operates. The responses indicated that the company operates in a highly competitive and political environment. The environment according to the respondents was also dynamic with high growth potential but facing a lot of political interference, which remains a major drawback. This occurrence is necessitated by the fact that SonySugar is the only large state corporation in the Southern Nyanza region and politicians has a lot of interest in attempting to secure employment opportunities for their supporters in the company and also are trying to please their constituents through negative criticism of the company's initiatives and performance which in most cases are never the correct position.

The overall responsibility for formulation of strategic responses to constant changing environment rests with Strategic Plan Implementation Committee whose convener is the Company's Managing Director and its secretary is the manager in charge of Strategy and Corporate Planning Department.

4.3 Environmental challenges Facing the Company

The study has established that the company is facing numerous environmental challenges in their day to day operations. The challenges come from both internal and external environment where the company operates. A number of challenges that were not initially known to the researcher and which were identified by the interviewees as facing the company includes; theft of cane by jaggeries, burning of cane by arsonists, high turnover of qualified and trained staff, high death rate of employees due to HIV/AIDs infections, unpredictable weather patterns, high overall operational costs, poor road network, limited factory crushing capacity, inability to attract qualified personnel in some specialised areas due to low remunerations, fuel siphoning by company employees operating farm machinery, lack of funds to undertake long term projects and overstaffing.

4.4 Strategic Responses to Competitive Environment

The research findings indicated that formulation of strategic responses at Sonysugar Company is undertaken by the departmental and divisional heads and uses top down approach. The strategies formulated are then cascaded to the employees to implement through the guidance and direction of these heads of departments and divisions. The interviewees further said that such strategic responses are necessitated by demands from stakeholders, results of strength, weaknesses, opportunities and threats analysis, changes in business operating environment, or when generally deemed necessary and in response to changes in government regulations and policies. These environmental challenges continue to affect the company and it has devised a number of strategic responses to these challenges as revealed by the interviewees. These responses are as follows;

4.4.1 Effects of Trade Liberalization

According to the interviewees, this environmental factor continues to affect the company in a number of ways which includes; significant reduction in sales due to influx of cheap sugar leading to sugar stock build up in stores and difficulties in matching competitors' prices. The company has initiated a number of strategic responses which includes; reduction in their overhead costs, introduction of modern technologies to enable the company cut down costs, diversification to co-generation, ethanol production and water bottling, market segmentation and production optimization to lower costs of production. The company has also developed a robust plan incorporating expansion programme in order to reduce the unit production cost.

4.4.2 Effects of Debts on Financial Performance

Interviewees said that this factor continues to affect the company in the following ways; servicing of debts consumes revenue which could have been invested in the company to meet other pressing obligations, it has brought constant conflict with farmers due to delays in payment for cane supplied to the factory, increase in losses and bad debts due to high finance charges by the lenders, the company being unable to meet its financial obligation as they fall due, less investment in critical assets and replacement hence build up of obsolete assets and finally high gearing levels making the company vulnerable to forceful takeovers.

Strategic responses initiated include prudent financial management and factoring of debts and renegotiation with the lenders for debts rescheduling. The company's major long

term financial objective is to pursue conversion of government debt to equity and to agree on modalities to stagger farmers' payment.

4.4.3 Sugar Markets

Interviewees said that this factor has led to reduced sugar sales due to fluctuating sugar prices hence poor cash flow and low returns on capital investment and stock pile ups in stores/warehouses. The company has formulated these strategic responses to address this challenge; product diversification, aggressive marketing of the company's products. This is through products promotions, advertisements, rebranding, entering in distribution agreement with major and established traders regionally and introduction of many selling points in different areas. The company is also undertaking continuous market research to establish the unmet needs of their customers.

4.4.4 New Technologies

This challenge according to the respondents has led to numerous old and obsolete machineries in use which results in high maintenance costs, high labour costs due to manual processes in most activities which results in recruitment of many staff members. It has also increased competition from companies which has employed advanced technology in their production process which has helped them cut on costs. The company has formulated and implemented or intends to implement the following strategic responses; acquire better technology, send employees on training to adopt to new changes in technology, install a modern extraction technology at the factory called diffuser. The company has also invested in modern information communication technology known as Enterprise Resource Planning (ERP) where the factory processes

are currently being automated and integrated with the entire company processes. This will enhance speed of information processing and availability of real time data for decision making.

4.4.5 Poor farmers' attitude towards Cane Farming

Interviewees indicated that this has led to apathy towards cane farming making farmers to resort to other cash crops such as maize and tobacco farming while others have abandoned their farm plots altogether. It has also led to reduced area under cane and poor crop husbandry hence constant cane shortage. In attempt to address this challenge, the company has come up with the strategic responses which are addressing the root cause of this apathy. The responses are; aggressive extension programmes to recruit farmers, adjust cane payment terms to match with what is reflected in strategic plan, introduced early maturing cane varieties and reduced interest rate charged to farmers for extension services and farm inputs offered to them. Other strategic responses to this factor include prompt harvesting of mature cane and educating farmers on how to run cane farming as a business and not as hobby farming. The company has further developed their own field demos which they use as a forum for farmers' education on better cane husbandry.

4.4.6 Pricing of Sugarcane

Respondents indicated that this factor has affected the company in the following ways; inserted pressure on the company's weak financial base due to increase in production costs, frequent changes in cane prices which distorts their financial forecasts and frequent factory closure due to lack of cane occasioned by frequent farmers' strikes and boycotts in supplying

sugar cane. The company has responded by sensitizing farmers through open forums and opens days on the company's basis of cane and sugar pricing. The company has also petitioned the regulator, Kenya Sugar Board to come up with a pricing formula for sugar cane as envisioned in Sugar Act 2001 which should be applied across all sugar companies in Kenya for purposes of standardization.

4.4.7 Utilisation of By Products

Failure to diversify their product streams according to the interviewees continues to affect the company's financial position due to limited revenue base. They plan to diversify to cogeneration, ethanol production and bottling of water to introduce other revenue streams to address this gap.

4.4.8 Government Levies on Sugar

According to the respondents, this factor has increased the price of locally produced sugar which makes it less competitive compared to imported sugar. The company has formulated strategic responses such as petitioning the government to reduce rates of VAT and SDL and possibly zero rate the product. The company has also come up with a diversification programme by venturing into water bottling and co-generation and is further undertaking a feasibility study on construction of ethanol plant which will make sugar an input raw material into the ethanol production thereby reducing the volume released into the market.

4.5 Other Environmental Challenges

As indicated in new environmental challenges under 4.3, the company continues to be impacted by other array of challenges which had previously not been documented in

other secondary materials known to the public. These challenges have been mitigated by the company through a number of strategic responses as found out by this study. The company has attempted to develop a number of strategic responses to overcome general challenges apart from the ones documented above. These responses includes involving the provincial administration and police unit to curb cane theft by arresting and charging the culprits in courts of law, continuous review and improvement of its compensation policies to address high staff turnover, creating HIV/AIDS awareness campaigns through involvement of staff to curb high death rates from the disease, provision of Anti Retroviral drugs to HIV/AIDS infected staff and their dependants, development of drought resistant and early maturing cane varieties, liaising with Kenya Roads Boards and local county councils to upgrade feeder roads, commissioning a job evaluation exercise to establish the rational staff numbers to address over staffing in the company, enhancement of factory's cane crushing capacity and involvement of all stakeholders in decision making. Other responses include introduction of monthly departmental review meetings to evaluate year to date progress on achievement of strategic objectives, intensive training and development and outsourcing of non core services such as cleaning and security services to enable the company concentrate on critical activities. The company is further enhancing its efficiency through business process re-engineering.

4.6 Challenges in Implementation of Strategic Responses

According to the study, the company has met a number of challenges in its attempt to implement the identified strategic responses. These challenges in implementation of strategic responses are varied and according to the interviewees include lack of enough funds to increase further the factory's crushing capacity to realise economies of scale and

to undertake other crucial projects, poor employees' attitude towards change, socio-cultural factors, technological limitations due to old processing machines, resistance to change by employees and political interference. There is also low farmers' morale on cane farming due to delays in payment for cane supplied which has a multiplier effect to the other processes.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations drawn from the findings of the study analysed in the preceding chapter. The chapter is thus outlined into summary of the findings, conclusions, recommendations and suggestions for further research.

5.2 Summary of the Findings

Business environment continues to greatly affect the company and this call for constant formulation and implementation of strategic responses to mitigate these threats. According to the findings of this study, SonySugar has adopted a more proactive approach in addressing changes in its operating environment unlike in the past. The study has found out that effects of trade liberalization continues to greatly affect the company in comparison to other challenges as it has led to reduction in sale of company's produced products as a result of cheap sugar imports from Comesa countries and also imports from other major sugar producing countries.

The study also reveals that political interference remains one of the major hindrances to smooth operation of the company as the company is almost entirely owned by the government which makes all the strategic decisions at the board level through its appointees. Government continues to appoint all the board of directors with no defined vetting criteria to ensure that only qualified and competent persons are appointed to these

boards. As a result, the decisions made by these boards are never in the best interest of the company and continues to affect the strategic direction of the company.

Other identified threats such as theft of cane by jaggeries, burning of cane by arsonists, high staff turnover, high gearing and numerous levies imposed by the government also continues to affect the company. The company has identified vibrant strategic responses to all these challenges which if addressed will enable it achieve its intended objectives.

The findings further indicated that SonySugar have also had to venture into aggressive marketing so as to reach more customers. The company has further had to produce differentiated products to meet the customers' tastes and preferences and to cater for wider market segments characterized by different needs.

The study has shown that the company is at an advance stage to ensure diversification. Diversification to production of other products such as cogeneration, ethanol production and bottling of water will also increase the revenue streams of the company and eliminate dependence on one product as is currently the case.

The study however found out that there has been variance between the strategy formulated and that which is implemented due to time and monetary constraints, unpredictability of the business environment, incompetence of employees in some areas as well as interference from some stakeholders. There also are challenges in continuously upgrading existing technology due to cost constraints.

5.3 Conclusion

It is normally difficult to implement the entire strategic plan due to constant changes in the business environment. Also lack of long term loans hamper complete implementation and realisation of intended benefits. This study has identified important strategic responses which if implemented can be very beneficial to the company. All that is required is stakeholders support particularly the government to create a favourable business and operating environment to enable successful implementation of these strategic responses. Other sugar companies in the country should study these challenges that face SonySugar and see if they can learn a lesson from them to enable them overcome their own challenges which may be generic to these identified from this study.

5.4 Recommendations

The government should urgently consider providing guarantee for long term loans to enable the company pursue and implement product diversification initiatives and to revamp its information technology. This will be a sure way to ensure that the company expand its income streams and guarantee its survival once the COMESA safeguard measures which restrict import of sugar from other COMESA countries come to an end in 2012. Stakeholders should also support the company in its initiative to implement their identified strategic responses as this goodwill is vital in delivery of the planned strategic objectives. The government should also accelerate the privatisation of the company through divesture to eliminate constant political interference that currently affects the company particularly in relation to elimination of appointments of directors who join the board with vested personal interests hence conflict of interest leading to inability to turnaround the company's performance.

5.5 Suggestion for Further study

Further study can be done on the influence of globalization on local sugar industry and the study should target all sugar companies in the country. Studies can also be done on influence of research and development on performance of sugar companies with emphasis on development of fast maturing, drought and disease resistant sugar cane varieties.

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APPENDIX 1: INTERVIEW GUIDE

INTERVIEW GUIDE FOR MBA RESEARCH ON STRATEGIC RESPONSES TO COMPETITIVE ENVIRONMENT BY SOUTH NYANZA SUGAR COMPANY LIMITED

Date:.....

Interviewee Name:

Job Title:.....

This interview guide has been prepared in relation to the objectives of this study. It seeks to establish strategic responses to competitive environment by South Nyanza Sugar Company Limited. The information provided in this interview guide will be exclusively used for academic purposes and will be treated with utmost confidentiality.

Section A : General Information

1. In which department/division do you currently work?

.....

2. What is your position in the department/division?

.....

3. How long have you worked with SonySugar Company Limited?

.....

4. What is your principle role in this position as far as Corporate Strategic Planning is concerned?

.....

Section B: Strategic Responses to Competitive Environment

1. Does your company have a formal documented strategic plan?

.....

2. If yes in 1 above, please indicate those departments which were involved in formulation of this strategic plan.

.....

.....

3. What period of time in years does the strategic plan cover?

.....

4. How often is the strategic plan reviewed and by which level of staff in terms of their seniority?

.....

.....

5. How do you perceive the environment in which SonySugar Company operates?

.....

.....

6. Who is responsible for formulation of strategic responses at the company to respond to changes in external environment?

.....
.....

7. What necessitates the formulation of such strategic responses and how often is such formulation done by responsible managers within the organisation?

.....
.....

8. Briefly explain how each of the following changes in external environment has affected the company's overall performance.

i) Effects of Trade Liberalization

.....
.....

ii) Effects of debts due to unpredictable cash flows from sale of manufactured products

.....
.....

iii) Competitive Sugar Market due to imports

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.....

iv) Advancement in technology

.....
.....

v) Poor farmers' attitude towards cane growing as a result of high cost of farm inputs and delays in payment for their sugarcane delivered to the Company

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.....

vi) Farmers' continuous demands for better pricing of Sugarcane

.....
.....

vii) Alternative usage of by-products as part of diversification

.....
.....

viii) Numerous Levies Imposed on Sugar

.....
.....

9. Please indicate the strategies that the company has put in place to deal with each of the environmental influences mentioned above.

i) Effects of Trade Liberalization

.....
.....

ii) Effects of debts due to unpredictable cash flows from sale of manufactured products

.....
.....

iii) Competitive Sugar Market due to imports

.....
.....

iv) Advancement in technology

.....
.....

v) Poor farmers' attitude towards cane growing as a result of high cost of farm inputs and delays in payment for their sugarcane delivered to the Company

.....
.....

vi) **Farmers' continuous demands for better pricing of Sugarcane**

.....
.....

vii) **Alternative usage of by-products as part of diversification**

.....
.....

viii) **Numerous levies imposed on sugar**

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10. What other challenges apart from those listed in number eight (8) has the company faced?

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11. What strategic responses has the company formulated and implemented to mitigate the challenges listed in number ten (10) above?

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12. What other general strategies has the Company adopted to deal with changes in its competitive external environment?

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13. What are the challenges that the Company has faced in implementation of these listed strategic responses?

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14. In your opinion, is there a variance between strategies formulated and implemented at the Company?

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15. Please give any other comment you may have regarding strategic responses by South Nyanza Sugar Company Limited to its changing external environment?

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