

# **STRATEGY DEVELOPMENT IN FOOD MANUFACTURING COMPANIES IN NAIROBI**

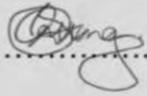
**Gathungu Stella Muthoni**

**A Management Research Project Report Submitted in Partial  
Fulfillment of The Requirements For The Award of The Degree of  
Master of Business Administration, School of Business, University of  
Nairobi**

**November 2010**

## Declaration

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

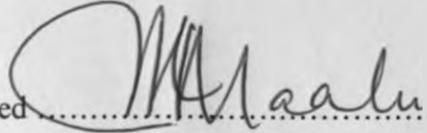
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Date ..... 17/11/2010 .....

Gathungu Stella Muthoni

Reg. No. D61/P/7011/04

This management research project has been submitted with my approval as university Supervisor.

Signed .....  .....

Date ..... 17/11/2010 .....

Mr Jackson Maalu

Lecturer, Department of Business Administration

## **Dedication**

To my parents Mr & Mrs Gathungu, my sister Pauline and brother Tony. It is due to your inspiration and support that I managed to accomplish this task.

## **Acknowledgement**

The journey towards the completion of this study has been long with many challenges. I would like to acknowledge and express my sincere gratitude to persons who assisted in the process.

I thank God for his favour and inspiration in my life.

Special thanks to my Supervisor Mr Jackson Maalu for his patience, continuous guidance, encouragement and constructive criticism throughout the period of this research project.

I thank all the respondents who willingly completed the questionnaires and have contributed in making this work a success.

I would like to express my heartfelt gratitude to my colleagues at work who kept me going through their support and encouragement.

I am grateful to my God sent friends Linda, Carol, Lorna and Christine who were very supportive and encouraging during the entire course of this study.

## **Abstract**

The objectives of this study were to determine the strategy development process used by food manufacturing companies operating in Nairobi and to identify the factors that influence strategy development by the food manufacturing companies. The factors to be considered included number of competitors, possibility of new entrants, clients, products offered, competitor future goals, current strategies and government regulation.

The main aim of the study was to establish the process used by food manufacturing companies to come up with their strategies and how successfully they have implemented them to meet the existing challenges such as high competition. It was noted that the food manufacturing companies use various tools to guide them in the process of coming up with their strategies. SWOT analysis came out to be the common tool used in developing their strategies with 100% companies confirming use of the tool. Key success factor analysis and forecasting were also other key techniques used by the companies.

The respondents included the food manufacturing companies operating within Nairobi. A survey was carried out using a detailed questionnaire which was completed by officers in charge of strategy development in these companies. I managed to get twenty five completed questionnaires from the officers.

Results indicated that majority of the food manufacturing companies consider strategy development as an important aspect in their operations. They formulate vision and mission for their companies.

Further, results showed that factors that influence strategy development in food manufacturing companies and were considered the most important were; number of competitors, possibility of new entrants and customers. The expectation of this study was that the customers would be the main factor to be considered. This is because the food manufacturing companies develop strategies in line with the changing customer tastes and preferences.

The study is in five parts. The first part contains an introduction to the study, research questions, objectives of the study and significance of the study. The second part provides theoretical framework of strategy development processes and also strategic management as applied in organizations. Part three gives details of research methodology. Part four presents the findings and the fifth part contains the summary, conclusion and recommendations of the study.

The questionnaire and list of companies used in this study is appended at the end of the paper.

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# CHAPTER ONE:INTRODUCTION

## 1.1 Background

### 1.1.1 The Concept of Strategy

The concept of strategy has been adopted from the military and adapted for use in business. In business, as in the military, strategy bridges the gap between policy and tactics. Together, strategy and tactics bridge the gap between ends and means. This section reviews various definitions of strategy for the purpose of clarifying the concept and placing it in context.

Strategy distinguishes winners from losers. In fact, strategy is more important than ever, particularly for organizations that want to differentiate themselves from others. To majority of executives' "strategy" has been nothing more than producing the highest quality products and services at the lowest cost. There is more in strategy which entails making tough choices and tradeoffs and deliberately choosing a different route. Sound strategy starts with the right goal and must also have continuity. Johnson & Scholes (1997) define strategy as the direction and scope of an organization over the long term through its configuration of resources within a changing environment to meet the needs of markets and to fulfill stakeholders' expectations. Strategy guides organizations to support performance through establishing competitive advantage and acting as a vehicle for communicating and coordinating activities and policies within the organization (Johnson & Scholes 2002). Strategy is the underlying concept in strategic management.

It is about winning and it serves as a unifying theme that gives coherence a direction to the actions and decision of an organization.

Ansoff (1965) views strategy as the common thread in an organization business. He also defines strategy as the product or market scope of an organization. Thus in an organization, any strategic change should only involve product or market focus. Chandler (1962) outlines the process by which strategy could be formulated and achieved and observes that organization structure follows strategy. His definition of strategy stresses 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 the intended goals.

Andrews (1971) asserts that strategy is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principle policies and plans for achieving those goals that define the range of business the company is to pursue the kind of economic and non-economic contribution it intends to make to its shareholders, employees and communities. Andrews also draws a distinction between "corporate strategy," which determines the businesses in which a company will compete, and "business strategy," which defines the basis of competition for a given business. Thus, he also anticipated "position" as a form of strategy. Johnson & Scholes (1999) explains that strategy can be formulated on three different levels. The top most level is the corporate strategy, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to the different parts of the organization. Below the corporate strategy is the business unit strategy, which is about how to compete successfully in a market. The business unit is

mainly concerned with how customer needs can best be met. The lowest level involves the operational and functional; strategy. This is concerned with how the component parts of the organization in terms of resources, processes, people and their skills effectively deliver the corporate and business level strategic direction.

Porter (1980) views a good strategy as one that has simple, consistent and long term objectives. This involves the single mindedness of goals, unity of purpose and a long term focus. A good strategy is similarly derived from a good understanding of the competitive environment through appreciating the dynamics of competition and the turbulence of the environment. The strategy should identify opportunities in the environment and exploit them as well as identify internal threats and guarding the organization from them. The major task of managers is to assure survival and success of the organizations they manage. In order to achieve this, the managers should ensure that their organizations adjust adequately to meet environmental challenges. Strategy serves as a tool, which offers significant help for coping with environmental turbulence that often confront organizations (Malusi 2006). Environmental changes such as technological innovation, competition, globalization, regulation and de-regulation and consumer behaviour affect many organizations. These organizations are forced to enhance their business process in order to survive in an environment which has become increasingly competitive (Ansoff 1987). Organizations are therefore undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organization to that environment. (Johnson & Scholes 2002).

For a strategy to be successful, there ought to be an objective appraisal of the resources of an organization which involves understanding strengths and exploiting them while understanding weaknesses and threats and protecting the organization against them. The strategy should be effectively developed and implemented. This entails matching the strategy to the organization's culture, stakeholder's expectation and other internal, organizational variables (Johnson & Scholes 2002).

### **1.1.2 Strategy development in organizations**

Johnson & Scholes (2002), in explaining strategy development in organizations, observed that most people make sense of complex situations in more than one way. They argue that the development and management of strategy can be viewed through three lenses namely design lens, experience lens and ideas lens. The design lens views strategy development as the deliberate positioning of the organization through rational, analytic, structures and directive process. One major assumption underpinning the design approach is that strategy development is seen as a process of systematic thinking and reasoning whereby although the range of influences on an organization's performance are many, they can be understood through careful analysis such as to identify those which are most likely to influence the organization significantly.

The strategy of an organization is hence the result of decisions made about the positioning and repositioning of the organization in terms of its strengths in relation to its markets and the forces affecting it in its wider environment. The decisions about what the strategy should be in terms of its content come first and are cascaded down through the organization to those who make things happen. This implies that decisions about

what strategy should be are separate from the implementation of that strategy. This view also assumes that there are tools and techniques which enable managers to understand the nature and impact of the environment an organization faces, the particular competences of that organization, the influence of powers within and around the organization, the organizational culture and its links to strategy and the strategic choices available to the organization. (Johnson & Scholes 2002).

The experience lens holds that since strategy is about the long term direction of an organization, its understandable that it might be thought of in terms of major decisions about the future taken at a point in time at the top of the organization and resulting in one-off major changes (Johnson & Scholes 2002). According to this view, strategy is better understood in terms of continuity or momentum whereby once an organization has adopted a particular strategy, it tends to develop from and within that strategy rather than, fundamentally changing direction. The experience lens hence views strategy development as the outcome of individual and collective experience of individuals and the taken-for-granted assumptions most obviously represented by cultural influences.

The ideas lens view strategy as the emergence of an order and innovation from the variety and diversity, which exists in and around organizations. New ideas and therefore innovation may come from anywhere in an organization, or indeed from stimuli in the world around it (Johnson & Scholes 2002). This view holds that people interpret issues in different ways according to their experience and may come up with different ideas based on personal experience. This probably explains why some organizations are more innovative than others and why some cope better with changing environments than others do.

There are other views of strategy, one being strategy as a forward looking plan. That is, strategy being the collection of objectives and action plans oriented at shaping the future direction of an organization. Strategy therefore precedes the events it governs, (Muhoro 2004).

Strategy is also seen as a pattern of actions emerging from the past actions of the firm as opposed to preceding the actions it governs. Mintzberg (1987) says that strategy should be considered as deliberate when its realization matches the intended course of actions and emergent when the strategy is identified from the patterns of consistencies observed in past behaviours. From this view, strategy development process can be seen as a continuum with deliberate strategy as one end and emergent strategy at the other.

Nyamweya (2005) views the lens as providing a way of understanding and interpreting the causes and effects of the strategy development processes. In organizations today, strategy development is often equated with strategic planning systems. Many organizations manifest the design approach to managing strategy, with processes that take the form of systematized step by step chronological procedures involving many different parts of the organization. Organizations with such formal systems are often populated with managers and leaders who, often only, think that a highly systematized approach is the only rational approach to strategy formulation and development. Strategy making brings into play the critical managerial issue of how to achieve the targeted results in light of the organization's situation and prospects.

Objectives are the ends and strategy is the means of achieving them. In effect, strategy is a management tool for achieving strategic targets. The task of forming a strategy starts

with hard analysis of the organization's internal and external situation. With the organization's information, managers can better devise a strategy to achieve targeted strategic and financial results. Strategy development is seen as the entire function of establishing organization direction, setting objectives, and devising a managerial plan for the organization to pursue.

The process of strategy development in organizations is often less understood and taken for granted. This is probably because many organizations assume that strategy will be automatically developed by top management and passed down for implementation (Nyamweya 2005). It is also assumed that strategy will emerge on its own as organizations carry on with business or that experience and gut feel will replace formal strategies. While considering content, the strategy development process often varies with, and depends on the size of the business under review. The entrepreneurial mode is often visible in small businesses while the rational and analytical mode is practiced in larger organizations. Muhoro (2004) views strategy formulation as one of the elements of strategic management which is the development of effective strategic moves and approaches in an organization in response to the ever-changing environment. The manner in which organizations manage this process will vary. Some will be highly organized and rational in their approach, while others will manage the process rather more intuitively. But perhaps, the most important aspect that will vary in the process will be the degree of explicitness and the timing of strategy, which will in turn determine the approach.

Various studies have been done on the strategy development process within organizations in Kenya. Aosa (1992) looked at Strategy formulation and implementation within large

manufacturing concerns; Mbinda (2006) commercial training colleges and Malusi (2006) Public Corporations. These studies established that organizations are now faced with rapid changes in external and immediate environment and have turned to formal strategic planning activities. Various authors and scholars have advocated several approaches to the strategy development process in organizations. However, the approaches only offer partial explanations about the strategy development process. The way that managers approach their strategy development in organizations differs and is determined by both the environmental and organizations factors. The success of any strategic move can be partially attributed to the way strategy is developed (Malusi 2006).

### **1.1.3 Overview of Food Manufacturing Companies**

Food manufacturing companies in Kenya are registered as stipulated in the Company's Act CAP 486 of the Law of Kenya. Every company has a memorandum of association, which determines its name, where its registered office may be situated and what it may do. The rules for the conduct of the company's internal affairs are contained in its articles of association.

Kenya has a relatively well developed food processing industry ranging from processing staple food and fruits, to beverage and tobacco production for both domestic and foreign markets. However, the sector requires massive capital and relies on imported inputs. Food and beverages make up over half of the country's exports and comprises of more than a thousand businesses. Food processing is progressively the largest manufacturing sub sector. Businesses range from small family-owned enterprises to large businesses listed on the Nairobi Stock Exchange. Subsidiaries of multinationals such as Nestle, Coca

Cola, Unilever and Wrigley have established operations as foreign companies or as joint ventures with locals to supply the domestic and neighbouring markets. This sector is composed of key production sectors including dairy and meat products, grain milling, edible fats and oils, beverages, fruits and vegetable processing, fish processing, wines, beer and spirits (Waithaka 2009). Food manufacturing companies contribute to the growth of the economy by providing jobs, market for locally available raw material, earning in taxes and licences, improve the disposable income of households, add value to the living standards of the people, they are a source of foreign exchange and provide corporate social responsibility to the communities. The output from these firms is consumed locally or sold in the export market. Kenya for example earned Sh 62.1 billion from tea exports last year, up from Sh 43.1 billion recorded the previous year. (Kathuri 2009).

Some food manufacturing companies because of the high production costs for example, cost of electricity, choose to manufacture some products in their mother branches outside the country and import back the finished products and sell them in the local market. Most of the organizations face increasing competition from imported substitutes both in price and quality. This is because of the constraints of power shortages and failure, unreliable water supply, deteriorated infrastructure, high interest rates for short and medium term borrowing, excessive government regulation, to mention a few (Waithaka 2009). The food industry has had numerous challenges due to the advent of environmental changes. A lot of imported foods have their way into the local market. The food industry has been the most affected by liberalization as numerous imposed food

stuffs find their way into the local market and customers begin to switch brands because the other foods have other nutritional elements not found in local foods. This explains the decline in sales of local firms and multinational firms tend to do better because of the use of international standards (Gachanga 1998).

The National Investment Brief, 2008 highlighted that Kenya is affected by climate change with the effects likely to be more severe in the future. This could slow down Kenya's projected economic growth for two main reasons. First, the economy is heavily dependant on climate-sensitive sectors, such as agriculture, tourism and coastal zones. Second, the means to cope with climate hazards is weak. Already, changing climate conditions are responsible for the melting of glaciers on Mt. Kenya, which in 1900 had 18 glaciers but now has only 7. This explains the decline in water levels in Athi and Tana Rivers and subsequent interruption in electricity generation. Currently up to 25 industries located in Ruaraka / Kasarani Areas; Jogoo Road, Lunga Lunga/ Likoni Road in Nairobi Industrial Area; Mombasa Road near Mlolongo; Athi River Township and Mombasa's Changamwe area; Njoro, Webuye, Kisumu and Red Hill area in Limuru have scaled down their operations by more than a half due to the power rationing programme. An internal Kenya association of manufacturers survey on the effects of power rationing on industries disclosed that these industries are experiencing losses of between 12 and 36 hours of productive work on a weekly basis due to power rationing (Makaka & Rono 2009).

Food manufacturing companies in Kenya have to adhere to the primary environmental requirements under the Occupational Safety And Health Act, that each factory must

observe as high standards of cleanliness as are possible for the respective operations; avoid overcrowding, construct and maintain adequate ventilation, provide and maintain suitable natural or artificial lighting, as appropriate, provide drainage of floors and construct and maintain clean sanitary conveniences (The Occupational Safety And Health Act 2007). Through quality assurance assistance programmes in industry, food manufacturing firms are encouraged to adhere to good manufacturing and hygienic practices and install quality assurance systems in food processing. In a speech by the former Managing Director of Kenya bureau of standards, pointed out that Kenya Bureau of Standards and other enforcement bodies attach a lot of importance to the provision of safe foods in the market. Kenya Bureau of Standards facilitates the National Executive Codex Committee which provides a coordinated common voice in Kenya for the handling, processing and eventual placement in sales outlets for all food products with an aim of facilitating trade locally, regionally and internationally including finding ways to keep up with international trends and best practices. Kenya Bureau of Standards also provides training and certification services on the following quality management systems: ISO 9000 Quality Management system, ISO 14000 Environmental Management, ISO 22000 Food Safety and HACCP -Hazard Analysis and Critical Control Points (Masila 2009).

Food inspection is carried out by Kenya Plant Health Inspectorate Services, Ministry of Health, Department of Veterinary Services and Kenya Bureau of Standards in production premises and industry, market, borders (entry points), and Department of Fisheries (on landing beaches). It involves visual inspections and random sampling for laboratory

analysis. Foods found to be unsafe are impounded and destroyed, premises with unhygienic practices are closed, charges are drawn and those found guilty are penalized.

Consumer awareness on quality of food products and services provided has grown tremendously recently. Food safety and quality certification are therefore key tools that go along way in determining the survival of an organization in the current competitive liberalized market.

The food industry under the following research study covered companies that manufacture edible food products such as chocolate and sugar products, bakery, grain mill / vegetable and animal oils and fats, fish, canned and preserved fruits, vegetables, dairy products, meats, beverages, soft drinks and carbonated water.

## **1.2 Research problem**

Strategic planning is a series of logical and creative steps. It clarifies the objectives that need to be achieved and are ranked according to importance. Strategic planning helps to analyze and gather information and includes the internal and external resource assessment. Internal and external assessment can use morphological analysis, or SWOT analysis, to assess the environment and organization, which is essential for the achievement of objectives. (Khera & Khera 2009). Carter (2007) asserts that strategic planning determines where an organization is going over the next year or more, how it's going to get there and how it'll know if it got there or not. The focus of a strategic plan is usually on the entire organization. There are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of

the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario.

The increasing competition and challenges in the food industry in Kenya due to industry globalization, adversely changing climatic conditions would be expected to force the food manufacturing companies to resort to strategic planning for their own survival and prosperity. Hygiene and standards remain two of the biggest mega trends confronting manufacturers and play a significant role in shaping product strategy. Environmental concerns are rising and opening up a new set of issues manufacturers need to deal with, notably with regard to packaging, waste disposal and transportation. Devising and executing a robust corporate social responsibility strategy that deals with these issues is becoming a key requirement for food and beverage brands.

Several studies on strategy in various industries have been carried out. Nyamweya (2005) researched on Strategy development at Lonrho Africa and found out that the rational approach to strategy development was evident, but emerged that it was more of a ritual than a conscious method of strategy development. Bett (2003) in his research on Strategic planning by tea manufacturing companies in Kenya observed that the planning process within the organizations was both formal and informal. Mbinda (2006) focused on Strategy development process in commercial training colleges in Nairobi and concluded that issues related to the organization structure, distribution of planning responsibilities and management styles form challenging factors for the colleges to have a smooth strategy formulation process. Malusi (2006) looked at Strategy development and its challenges in Kenya public corporations, a case study of National Hospital Insurance

Fund, he established that Strategy development is formal and with emphasis on the vision and mission of the organization. No study has been conducted on Strategy development in food manufacturing companies. With the dynamic environment the food manufacturing companies continue to face the challenges associated with competition from cheap imports, high cost of production besides the totally unpredictable climatic conditions and the ever changing consumer needs. It is in view of these increasing challenges facing the food manufacturing sector that prompted the interest to carry out this study.

This research aimed at documenting the strategy development practices, challenges faced and approaches used to ensure success of these food manufacturing companies.

The study seeks to answer the following questions:

- (a) What processes are followed by food manufacturing companies in developing strategies?
- (b) What challenges do the food manufacturing companies face in strategy development process?

### **1.3 Research Objectives**

- (a) To determine strategy development process by food manufacturing companies in Nairobi.
- (b) To establish the factors influencing strategy development process by food manufacturing companies.

## **1.4 Significance of the study**

The research is expected to be of value to the stakeholders.

Firstly, to the researchers, the study provides a holistic view of the strategic development process in the food industry especially as a basis for further research. It will also assist in the focusing of research attention to the key issues, which determine the success of the food industry.

Secondly, the study enables practitioners (manufacturers and various other players in the food industry) to be more proactive and anticipate environmental changes through a better understanding of the strategic development process in the food industry.

Finally, to the shareholders and other interested parties which may lead them to make informed decisions on the management of food manufacturing companies.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 The Concept of Strategy

A strategy is a pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

Military-diplomatic strategies have existed since prehistoric times. The earliest historians and poets were to collect the accumulated lore of the successful and unsuccessful life-and-death strategies and convert them into wisdom and guidance for the future. As societies grew larger and conflicts more complex, generals, statesmen, and captains studied, codified, and tested essential strategic concepts until a coherent body of principles seemed to emerge. The most basic principles of strategy were in place and recorded long before the Christian era. More modern institutions primarily adapted and modified these to their own special environments. (Mintzberg & Waters 1985).

According to Johnson and Scholes (1997), "Strategy is the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations". A business needs the following resources to put in place to pursue its chosen strategy. One, financial resources concerns the ability of the business to "finance" its chosen strategy. For example, a strategy that requires significant investment in new products, distribution channels, production

capacity and working capital will place great strain on the business finances. Two, human resources which is the skills-base of the business. The required skills should be sufficient to meet the needs of the chosen strategy. Three, physical resources which cover a wide range of operational resources concerned with the physical capability to deliver a strategy. This clearly explains the resource based view of the concept of strategy.

In his book, *Implanting Strategic Management*, Ansoff defined strategy as a set of decision making rules for guidance of organizational behaviour. There are four distinct types of such rule; One, Yardsticks by which the present and future performance of the firm is measured. The quality of these yardsticks is usually called objectives and the desired quantity goals. Two, Rules for developing the firm's relationship with its external environment: what products-technology the firm will develop, where and to whom the products are to be sold, how will the firm gain advantage over competitors – these set of rules called the business strategy. Three, Rules for establishing the internal relations and processes within the organization – the organizational concept. Fourthly, The rules by which the firm conducts its day to day business called operating policies.

Ansoff & Sullivan developed a strategic-success-formula (SSF) that is based on the thesis that to optimize a firm's performance, management must align the firm's strategies and capabilities with the state, or turbulence level of the environment.

Steiner (1979) a professor of management and one of the founders of *The California Management Review*, is generally considered a key figure in the origins and development of strategic planning. His book, *Strategic Planning*. Steiner notes that strategy entered the management literature as a way of referring to what one did to counter a competitor's

actual or predicted moves. Steiner's definitions of strategy were; "Strategy is that which top management does that is of great importance to the organization; Strategy refers to basic directional decisions, that is, to purposes and missions; Strategy consists of the important actions necessary to realize these directions; Strategy answers the question: What should the organization be doing? Strategy answers the question: What are the ends we seek and how should we achieve them?"

Mintzberg, in his 1994 book, *The Rise and Fall of Strategic Planning*, pointed out that people use "strategy" in several different ways, the most common being these four: Strategy is a plan, a "how," a means of getting from here to there; Strategy is a pattern in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy; Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets; Strategy is perspective, that is, vision and direction.

Mintzberg argued that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called "realized" or "emergent" strategy.

Andrews (1971) in his book, *The Concept of Corporate Strategy* defined strategy as: "Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving

those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.

Porter (1980) explained that there are five forces that determine industry attractiveness and long-run industry profitability. These five "competitive forces" are: The threat of entry of new competitors, Threat of Substitutes, Bargaining Power of Buyers, bargaining power of suppliers and Intensity of Rivalry in the industry. In 5 forces analysis he identifies the forces that shape a firm's strategic environment. It is like a SWOT analysis with structure and purpose. It shows how a firm can use these forces to obtain a sustainable competitive advantage. The importance of this is for an organization to be on look out for competitors and come up with superior strategies to be competitive.

The view of Knights (1992) was that strategy is a form of imperialism located within a discourse, which cloaks the power of managers as a class in culturally acceptable clothing of science and objectivity. His interpretation is that Porters generic strategies are difficult to implement but remain the most popular choice for senior managers within the financial sector. He said that the conditions needed to carry out the generic strategies is the 'reality' by the management to forget, neglect or deny subjectivity. The inherent problem with Porters strategy seems to be that if all businesses adopted his strategy then there would be no competitive advantage.

The rational model applied to organizational strategy suggests systematic environmental analysis, assessment of internal strengths and weaknesses, explicit goal setting,

evaluation of alternative courses of action, and the development of a comprehensive plan to achieve organizational goals (Ansoff, 1965, Hofer & Schendel, 1978; Porter, 1980).

When the concept of strategy is viewed as a stream of decisions, the types of solutions which are chosen determine the strategy which is realized by an organization. The types of solutions which are chosen in an organization range from solutions which determine the long-term focus of the organization, to the day-to-day solutions which deal with operations within the organization. Katz and Kahn (1978) described four categories of solutions: one, decision solutions which involve the formulation of substantive goals and objectives; two, decision solutions concerning procedures and devices for achieving goals and evaluating performance; three, routine administrative solutions which include the application of existing policies to ongoing operations; and four, residual, ad hoc solutions affecting organizational space without temporal implications beyond the immediate event. These categories of solutions can be arranged on a continuum from policy making to administrative solutions, with the formulation of substantive goals and objectives as the most strategic type of solution and residual, ad hoc solutions as the most administrative. Policy making decisions would fall under the rubric of intended and/or deliberate strategy, while administrative decisions would be reflected in emergent strategy.

The concept of strategy draws out the importance of matching internal factors with external environmental factors for success in an organization. Selznick (1957) introduced the idea of matching the organization's internal factors with external environmental circumstances. The core idea was developed into what is now called SWOT analysis.

Strengths and weaknesses of the firm are assessed in light of the opportunities and threats from the business environment.

## **2.2 Strategy development in organizations**

Strategy formulation guides executives in defining the business their firm is in, the aims it seeks, and the means it will use to accomplish those aims (Pearce & Robinson 1991).

The approach of strategy formulation is an improvement over that of traditional long range planning.

Strategy formulation includes deciding what new business to enter, what business to abandon, how to allocate resources, whether to expand operations or diversify, how to avoid hostile take over, etc (Mbinda 2006).

Since no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most. Strategy formulation decisions commit an organization to specific products, markets, resources and technologies over an extended period of time. Strategies determine long-term competitive advantages.

To achieve long-term prosperity, strategic planners commonly establish long-term objectives in the areas of profitability, productivity, competitive position, employee development, employee relations, technological leadership and public responsibility. Grand strategies provide basic direction for strategic actions and indicate how long range objectives will be achieved (Pearce & Robinson 2002).

The strategy selection decision analysis cycle represents different stages of analysis that lead to a decision about what strategy choice will be made between various strategies that

are considered available. In considering the alternative strategies, the objective is to ensure the most appropriate strategy is chosen that enable the organization to maintain or improve its performance. Primarily defining the business of the organization and determining where it should be in the future does this. For a strategy to be selected, it must be suitable, feasible and acceptable. Strategic management alternatives are analyzed, cashflows projected, key indicators computed to address concerns and recommendations and ultimate selection made wherefrom (Okiro 2006).

Several alternative strategies are generated and systematically evaluated in comparative framework. The quality of the ultimate choice is thereby logically enhanced. The business level strategy involves analysis of the match between the business's current strategic position and the major strategic opportunities and threats that exist or will exist in the envisaged period. The examination of the probable results of pursuing the current strategy in light of the new business environment match, comparison of these results with tentative business objectives to identify major performance gaps and strategic concerns follows (Pearce and Robinson 2002).

### **2.2.1 Strategic planning systems and process**

Often strategy development is equated with strategic planning systems. In many respects they are the archetypal manifestation of the design approach to managing strategy. Such processes may take the form of highly systematized, step by step, chronological procedures involving many different parts of the organization (Johnson & Scholes 2002).

Strategic planning systems provide structures means of analysis and thinking about complex strategic problems, at its best requiring managers to question and challenge the

received wisdom they take for granted. They also encourage a longer-term view of strategy than might otherwise occur.

They can also be used as a means of control by regularly reviewing performance and progress against agreed objectives or previously agreed strategic direction. They serve as a useful means of coordination and communication of the intended strategy. In addition strategic planning systems can be used as a way of involving people in strategy development, therefore perhaps helping to create ownership of the strategy.

The planning system provide a sense of security and logic for the organization and, in particular, management who believe they should be proactively determining the future strategy and exercising control over the destiny of the organization (Johnson & Scholes 2002).

There are however significant problems with the use of strategic planning systems to develop organizational strategies. Some of these include the fact that the process of strategic planning may be so cumbersome that individual or groups in the firm might contribute to only part of it and not understand the whole. The manager's responsibility for implementation of strategies, usually line managers, may be so busy with the day-to-day operations of the business that they cede responsibility for strategic issues to specialists which results to strategic planning becoming an intellectual exercise removed from the reality of operation.

Similarly, strategic planning can become over-detailed in its approach, concentrating on extensive analysis which, whilst sound itself, may miss the major strategic issues facing the organization (Johnson & Scholes 2002).

Kaplan and Norton (2004) assert that strategic planning is a step by step process with definite objectives and end products that can be implemented and evaluated. It is a process by which we look into the future, paint a picture of that future based on current trends, and influence the forces that will affect us. Strategic planning looks three to five years ahead. It charts a definite course based on strong indicators of what the business environment will be those years. The objectives of strategic planning include understanding the benefits of strategic planning, understanding the products of strategic planning, and learning the keys to successful planning and implementing.

Strategic planning process is strategic because it involves preparing the best way to respond to the circumstances of the organization's environment, whether or not its circumstances are known in advance; nonprofits often must respond to dynamic and even hostile environments. Being strategic, then, means being clear about the organization's objectives, being aware of the organization's resources, and incorporating both into being consciously responsive to a dynamic environment. Strategic planning enables an organization, not just to identify prevailing environmental opportunities and threats, but also to figure out or estimate its resource capability taking into account strengths and weaknesses of its resources, so as to align itself accordingly to battle with the environmental challenges.

The concept of strategic planning was invented in 1960s in response to the numerous challenges management was facing especially due to environmental changes. The Strategic Planning Process involves five distinguishable tasks:

Defining the vision and mission of the firm, provides direction, scope for the firm's activities and guidance for the firm's strategic objectives and strategies. This involves addressing the questions, "where do we want to be?", "what is our business and what will it be?" which leads to the choice of customer groups and customer needs the organization will serve. The vision is the organization's ideal future and incorporates a level or standard of performance which should represent the very best attainable by the organization. To realize the vision, an organization formulates the mission statement which serves as a guiding concept in the direction of the organization.

Situation Analysis addresses the question, "where are we now"? This requires identifying the strengths and weaknesses of the firm as well as the opportunities and threats facing the firm that is SWOT analysis which includes both external and internal analysis.

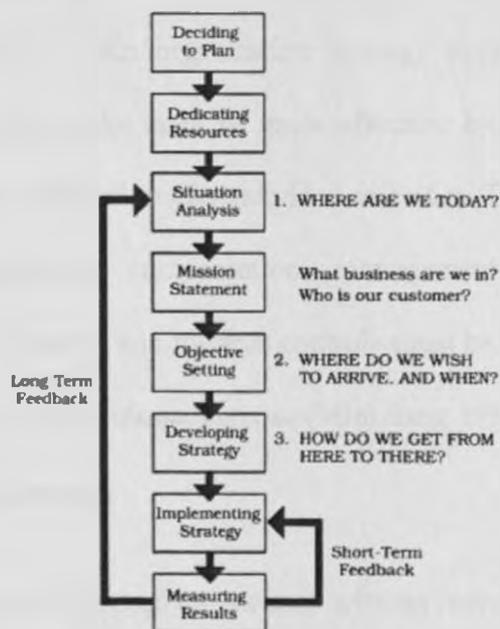
The purpose of situation analysis is to understand the organization's present situation and to some extent its background that is where it has come from and how it has come to the present.

Translating the mission into specific long-range and short-range strategic objectives aims either at exploiting an opportunity or strength, or deals with a threat or weakness facing the organization. Strategic objectives are based on factors identified in environmental analysis. Setting strategic objectives needs to be more of a top-down than a bottom-up process in order to provide guidance to lower level managers and units and support Company wide interests. Strategic analysis and choice details the selection of a good strategy. This is one which takes into account the firm's strengths and weaknesses to exploit opportunities and deal with threats in the external environment.

Strategy implementation involves building an organizational structure that is capable of carrying out the strategy successively, proper resource allocation to the activities critical for success, instituting a set of policies and procedures that support the strategy, creating a working environment that is strategy supportive, linking the reward structure to achievement of objectives, influencing attitudinal change so that people are motivated to achieve the objectives.

Evaluation and control which is the final stage entails monitoring the implementation of the strategy and making the necessary adjustments.

**Figure 1: Strategic Planning Process**



Source: Birnbaum Associates, Business Strategy Consultants

Once strategies have been developed, they need to be implemented. Strategies are of no value to a company unless they are effectively translated into action. However, although effective implementation of strategy is so important, it is not easy.

Strategy implementation is the process through which strategy is translated into action and results are achieved (Pearce & Robinson 1988). In this process, strategic goals are translated into short term functional and operational targets. The long term strategic thrust is also transformed into short term functional strategies and day-to-day operational procedures.

Poor strategy implementation can make a sound strategic decision ineffective or a debatable choice successful, it is important to examine the process of implementation of strategy which is comprised of a series of sub-activities which are primarily administrative. If purpose is determined, then the resources of a company can be mobilized to accomplish it. An organization strategy appropriate for the efficient performance of the required tasks must be made effective by information systems and relationships permitting coordination of subdivided activities. The organizational process of performing measurements, compensation, management development, all this enmeshed in system of incentive and towards controls must be directed towards the kind of behaviour required by organizational purpose (Mintzberg 1999).

### **2.2.2 Strategic Leadership**

Strategy development may be strongly associated with an individual – a strategic leader. Johnson & Scholes (2002) defined a strategic leader as an individual upon whom strategy development and change are seen to be dependent.

Strategic leaders are individuals personally identified with and central to the strategy of their organizations, their personality or reputation may result in others willingly deferring to such an individual and seeing strategy development as his or her province. In other

organizations an individual may be central because he or she is the owner or founder; often the case in small businesses.

Strategic leaders are generally responsible for large organizations and may influence several thousand to hundreds of thousands of people. They establish organizational structure, allocate resources, and communicate strategic vision. They work in an uncertain environment on highly complex problems that affect and are affected by events and organizations outside their own.

Strategic leaders apply many of the same leadership skills and actions they mastered as direct and organizational leaders; however, strategic leadership requires others that are more complex and indirectly applied.

The experience lens discussed previously suggests that the strategy advanced by the individual is formed on the basis of that individual's experience, perhaps within the organization or perhaps from other organization (Johnson & Scholes 2002).

According to Koske (2003), leadership is considered to be one of the most important elements affecting the organizational performance. The leadership of the organization should be at the forefront in providing vision, initiative, motivation and inspiration.

Strickland (2003) observed that it is management's responsibility to exert strategic leadership and commit the organization to going about its business in one fashion rather than another.

### **2.2.3 Organizational Politics**

Managers often suggest that the strategy being followed by the organization is really the outcome of the bargaining and power politics that go on between important executives. Such executives are continually trying to position themselves such that their views prevail or that they control the resources in the organization necessary for future success (Johnson & Scholes 2002). The political view of strategy development is, then, that strategies develop as the outcome of processes of bargaining and negotiation among powerful internal or external interest groups (or stakeholders). Certainly the interests of different stakeholders and the protection of these interests can get in the way of strategy development.

The ideas lens discussed previously suggests that organizational politics can be seen as a manifestation of the sort of conflict that results from innovation and new ideas. The variety and diversity that exist in organizations takes form in new ideas supported or opposed by different 'champions' (Johnson & Scholes 2002).

### **2.2.4 Logical Incrementalism**

Logical Incrementalism is a term coined by Quinn (1980). According to Quinn, "Constantly integrating the simultaneous incremental process of strategy formulation and implementation is the central art of effective strategic management". His adaptive approach of strategy formulation recognizes that implementing change in a large organization is complex and time-consuming and as a result a fully articulated strategic plan may actually not be possible. Instead the theory proposes a nonlinear mixture of strategic planning and spontaneous change midcourse.

Johnson & Scholes (2002) defines logical incrementalism as the deliberate development of strategy by learning through doing.

Quinn (1995) observed that the management process could best be described as logical incrementalism. Managers have a view of where they want the organization to be in years to come and try to move towards this position incrementally. They do so by attempting to ensure the success and development of a strong, secure but flexible core business, building on the experience gained in that business to inform decisions about the development of the business and perhaps experimenting with side best ventures (Johnson & Scholes 2002).

Logical incrementalism can be thought of as the deliberate development of strategy by “learning through doing” or the “crafting” of strategy. This view of strategy making is similar to the descriptions that managers themselves often give of how strategies come about in their organizations. The managers see their jobs as ‘strategists’ as continually proactively pursuing a strategic goal, countering competitive moves and adapting to their environment, whilst not ‘rocking the boat’ too much, so as to maintain efficiency and performance (Johnson & Scholes 2002).

The steps involved in logical incrementalism include a vaguely felt awareness of an issue or opportunity, broadcasting of a general idea without details. The idea is floated for reactions pro and con and for refinements. Then follows the formal development of a change plan, the use of a crisis or opportunity to stimulate implementation of the change plan for example, retirement of a senior manager or a sudden loss of market share can

facilitate rapid acceptance and implementation of the change and finally adaptation of the plan as implementation progresses.

Logical incrementalism focuses on using broad, decentralized, organizational strategies to guide decision making, entrusting members of the organization who are familiar with the situation and have the necessary facts and data to make informed choices. In logical incrementalism strategy formulation and implementation are linked in a continuous improvement cycle.

Logical incrementalism does not fit a neat sequential design approach to strategy development. The idea that the implementation of strategy somehow follows a choice, which in turn has followed analysis, does not hold. Continual testing and gradual strategy implementation provides improved quality of information for decision making and enables the better sequencing of the elements of majority decisions (Malusi 2006).

### **2.2.5 The learning Organization**

The concept of learning organization, and strategy development is a learning process, became popularized in the 1990's (Johnson & Scholes 2002). In many respects it corresponds to the aspects of logical incrementalism described above, especially in so far as it starts with the argument that the uncertainty and complexity of the world of organizations cannot readily be understood purely analytically.

A learning organization is the term given to a company that facilitates the learning of its members and continuously transforms itself. Learning Organizations develop as a result of the pressures facing modern organizations and enables them to remain competitive in

the business environment. A Learning Organization has five main features; systems thinking, personal mastery, mental models, shared vision and team learning.

According to Pedler et al (1988) a learning organization is “an organization that facilitates the learning of all its members and continuously transforms itself”. Pedler et al later redefined this concept to “an organization that facilitates the learning of all its members and consciously transforms itself and its context”, reflecting the fact that change should not happen just for the sake of change, but should be well thought out. A learning organization is one which has a climate in which individual members are encouraged to learn and to develop their full potential; extends this learning culture to include customers, suppliers and other significant stakeholders; makes human resource development strategy central to business policy and is in a continuous process of organizational transformation.

Senge (1990) defines learning organizations as “Organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to learn together.” Senge further remarks: "The rate at which organizations learn may become the only sustainable source of competitive advantage."

McGill et al. (1992) define the Learning Organization as "a company that can respond to new information by altering the very "programming" by which information is processed and evaluated."

The world to which organizations have to adapt appears to be so turbulent and unpredictable that traditional approaches to strategic management are simply not appropriate. There is little to be gained from formalized planning approaches with predetermined fixed objectives and analysis that may take weeks or months to work through. The idea that top managers can formulate strategies implementation by others also becomes redundant because top managers are less in touch with such as a complex and turbulent world than others within the organization (Johnson & Scholes 2002).

### **2.2.6 Imposed Strategy**

The external environment dictates patterns in actions, either through direct imposition (say by a strong customer) or through implicitly pre-empting or bounding organizational choice (as a large airline that must fly jumbo jets to remain viable). (Mintzberg & Waters 1985).

There may be situations in which managers face what they see as the imposition of strategy by agencies or forces external to the organization.

Government may dictate a particular strategic course or direction, for example, in the public sector, or where it exercises extensive regulation over an industry – or choose to deregulate or privatize an organization previously in the public sector. This may not be the choice or even the wish of the managers (Johnson & Scholes 2002).

Whilst an imposed strategy may not be developed by the managers in the organization concerned, the strategy has presumably been developed elsewhere and the sorts of explanation of strategy development already given may help explain how that has occurred. Governments have argued that imposed strategies serve as a way of

overcoming the sort of strategic inertia that had arisen as a result of strategies developing incrementally on the basis of history, experience, existing cultural norms or the compromises that result from bargaining and negotiation of powerful groups in an organization.

It has also been argued that the imposition of a general strategic direction can provide impetus for innovation and creativity (Johnson & Scholes 2002).

## **2.3 Implications of Strategy Development**

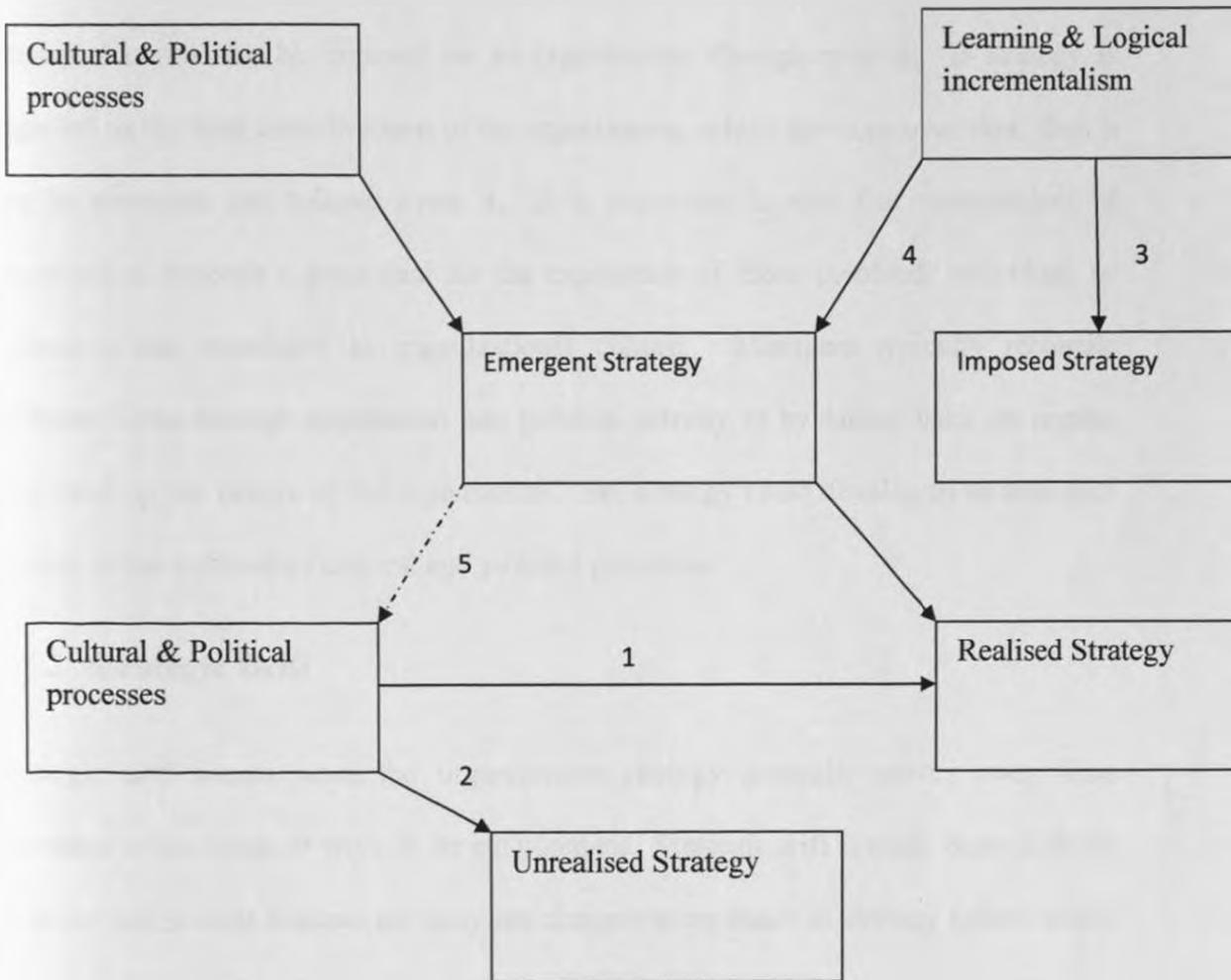
### **2.3.1 Intended and Realized strategies**

Intended strategy is an expression of desired strategic direction deliberately formulated or planned by managers. Realized strategy is the strategy actually being followed by an organization in practice.

Mintzberg et al (1998) distinguished between planned or deliberate strategies and emergent strategies. They argue that the realized strategy is as a result of both planned and emergent strategies. Emergent strategies come as a result of changing environment in which the organization operates.

In Mintzberg's view, emergent strategies are the unplanned responses to unforeseen circumstances. They often arise from autonomous action by individual managers deep within the organization. Mintzberg maintains that emergent strategies are often successful and may be more appropriate than intended strategies.

Figure 2.



Source: Johnson & Scholes (2002) Exploring Corporate Strategy, 6<sup>th</sup> Edition, p. 76

The figure above shows how an organization ends up with realized strategy. Many organizations that attempt to formulate detailed intended strategies, much of what is intended follows route 2 in the figure above, and is unrealized; it does not come about in practice, or only partially so. Reasons for these could be that, the plans are unworkable, the environmental changes after the plan has been drawn up and managers decide that the

strategy, as planned, should not be put into effect; or people in the organization or influential stakeholders do not go along with the plan.

Strategies could also be imposed on an organization through route 3. If strategy is regarded as the long term direction of the organization, which develops over time, then it can be emergent and follows route 4. It is important to note that management of organization depends a great deal on the experience of those involved, individual, or collective and embedded in organizational culture. Managers typically reconcile different views through negotiation and political activity or by falling back on routine that make up the culture of the organization. So, strategy could develop in an emergent fashion as the outcome of cultural and political processes.

### **2.3.2 Strategic Drift**

Strategic drift occurs when the organizations strategy gradually moves away from relevance to the forces at work in its environment. Strategic drift is made more difficult to detect and reverse because not only are changes being made in strategy (albeit within the parameters of the organizations culture), but, since such changes are the application of the familiar, they may achieve some short term improvement in performance, thus tending to legitimize the action taken. However, in time, both the difference becomes apparent or environmental change increases, and performance is affected (Johnson & Scholes 2002).

### **2.3.3 Strategic Management in uncertain and complex situations**

The different strategy lenses and strategy development processes described herein can also be seen to be more or less useful and applicable in different context. Not all organizations face similar environments and they differ in their form and complexity; therefore different ways of thinking about strategy development and different processes for managing strategy may make sense in different circumstances (Johnson & Scholes 2002).

Organizations face different contexts in order to cope with the uncertainties. The various conditions that organizations seek to face are, in static conditions, the environment is relatively straight forward to understand and is not undergoing significant change. In such circumstances, if environmental change occurs, its quite predictable, so it could make sense to analyze the environment extensively on a historical basis as a means of trying to forecast future conditions.

In dynamic conditions, managers need to consider the environment of the future, not just of the past. There is a higher degree of uncertainty and hence need for scenario planning and encouraging the adoption of organizational learning tenets (Malusi 2006).

## **2.4 Challenges of Strategy development**

### **2.4.1 Corporate Governance**

The most fundamental questions are whom should the organization be there to serve and how should the direction and purposes of an organization be determined. This is the

province of corporate governance and the regulatory framework within which organizations operate (Johnson & Scholes 2002).

The issue is corporate governance has arisen for two main reasons. First, the practical need to separate ownership and management control of organizations is now the norm – except with very small businesses. The result has been that most organizations operate within a hierarchy or chain of governance, i.e. all those groups that have a ‘right’ to influence an organization’s purposes. Second, there has been an increasing tendency to make organizations more visibly accountable not only to owners, but also to stakeholder groups – including the community at large.

Given this complexity in corporate governance, there are likely to be several conflicts of interest both between different groups and for individual managers / directors as they try to balance these various interests.

## **2.4.2 Stakeholder expectations**

Stakeholders are those individuals or groups who depend on the organization to fulfil their own goals and on whom, in turn, the organization depends. Few individuals have sufficient power to determine unilaterally the strategy of an organization. Individuals tend to identify themselves with the aims and ideals of stakeholder groups which may occur within departments, geographical locations, different levels in the hierarchy, etc. Also important are external stakeholders of the organization, typically financial institutions, customers, suppliers, shareholders and unions. They may seek to influence company strategy through their links with internal stakeholders.

Since the expectations of stakeholder groups will differ, it is quite normal for conflict to exist regarding the importance / desirability of many aspects of strategy. Arguably, the likelihood of conflict is greatest where expectations from different organizational fields collide. This could occur when an organization is privatized, a market deregulated, a CEO moves from one type of organization to another or where pressure groups start raising 'new' issues.

### **2.4.3 Power**

Power is the mechanism by which expectations are able to influence purposes and strategies. Johnson & Scholes (2002) defines power as the ability of individuals or groups to persuade induce or coerce others into following certain courses of action. This is the mechanism by which one set of expectations will dominate strategic development or seek compromise with others. The stakeholders influence a particular strategy using different sources of power which include; hierarchy (formal power), influence (informal power), control of strategic resources, possession of knowledge and skills, involvement in strategy implementation.

### **2.4.4 Organization Structure**

An organizational structure is the formal framework by which jobs tasks are divided, grouped and co-coordinated (Robbins and Coulter 2002). The structure identifies the key activities within the firm and the manner in which they will be coordinated to achieve the firm's strategic purpose.

The structure of a company should be consistent with the strategy being developed. Changes in the company's strategy bring about internal problems which require a new structure if the strategy has to be successfully developed.

### **2.4.5 Organization Culture**

Culture is a system of shared meaning and beliefs held by organizational members that determines in large degree on how they act (Robbins and Coulter 2002). An organization culture provides the social context in which an organization performs its work and interactions.

The culture affects strategy development in organizations because one, values of society change and adjust over time, and therefore strategies which were acceptable and successful twenty years ago may not be so today. For example, there has been an increasing trend within many countries for the activities of companies to be constrained by legislation, public opinion and the media. Second, organizations that operate internationally have the added problem of coping with the very different standards and expectations of the various countries in which they operate.

### **2.4.6 Strategic capability**

Successful strategies are dependent on the organization having the strategic capability to perform at the level that is required for success. Its important to understand the strategic capability as its concerned with whether an organization's strategies continue to fit the environment in which the organization is operating and the opportunities and threats that exist.

Strategy capability is underpinned by the resources available to an organization since it is resources that are deployed into the activities of the organization to create competences. The resources include; physical resources, human resources, financial resources and intellectual capital. Lack of these resources poses a challenge to strategy development.

### **2.4.7 Strategic Leadership**

Leadership is the ability to influence the attitude and opinion of others in order to achieve a coordinated effort from a diverse group of employees.

Leadership is the ability to influence organization members to adopt the behaviours needed for strategy implementation. Leadership includes persuasion, motivation and changes in corporate values and culture.

Leadership is needed for effective development of strategy, as this will ensure that the organization effort is united and directed towards achievement of its goals. Problems with strategic direction, organizational alignment, and employee commitment (for example, unclear direction, poor alignment, and little commitment) arise when strategic leadership is not provided and continue to be a challenge in strategy development.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Research Design**

The study was conducted using a cross sectional survey design. The cross-sectional design is suitable when a given study is largely descriptive and purposes to use sample statistics to make generalization about population parameters. This survey design represents one of the most common types of quantitative, social science research designs and enables the researcher to collect data from large or small populations. This survey research design employ a flow plan or chart to outline the design and subsequent implementation of a survey. Data can be collected from remote locations using mail, email or telephone. Consequently, very large samples are feasible, making the results statistically significant even when analyzing multiple variables. Also many questions can be asked about a given topic giving considerable flexibility to the analysis.

### **3.2 Population of Study**

The population of interest encompassed all the food manufacturing companies in Nairobi and those registered under the Kenya Association of manufacturers. This body is the voice of industry and premier representative organization for manufacturing value-add industries and other related sectors in Kenya. According to the Kenya Association of manufacturers' directory as at September 2009, a hundred and fifty five food manufacturing companies are registered and operate in different regions in Kenya. Out of the a hundred and fifty five companies, a hundred companies are located in Nairobi. In the case of this study, only those food manufacturing companies which operate within

the Nairobi region were included in the study due to their ease of accessibility and reduction of time and cost.

### **3.3 Sample size and Sample selection**

The random sampling technique was used to select the food manufacturing companies to be studied. The target sample size was thirty food manufacturing companies. To achieve this sample size, the random number generator was used. A random number generator is a process that produces random numbers and uses a statistical algorithm to produce random numbers.

### **3.4 Data Collection Method**

The data collection for this study was purely primary in nature. Data was collected using structured questionnaires comprising both open ended and closed ended questions. The open ended questions gave respondents room to give more information and properly express themselves while the closed ended questions produced the kind of answers expected to enable the researcher form an opinion and conclusion.

The questions in the questionnaire were set to capture the objectives of the study and were divided into different sections, that is profile of the respondent organization, general planning, strategy development process, aspects of strategy formulation, factors influencing strategy development, tools and techniques used in developing strategies, types of strategies developed and challenges faced in developing strategies. The respondents targeted were the officers handling strategy development in these

organizations. The method of administering the questionnaires to all respondents was drop and pick method.

### **3.5 Data Analysis**

Descriptive analysis was conducted. Descriptive analysis is useful in describing the basic features of the data in a study. This analysis provides simple summaries about the sample and the measures. It also presents quantitative descriptions in a manageable form.

## CHAPTER 4: DATA ANALYSIS

### 4.1 Introduction

This section presents the research findings and discussions. The company profile is provided based on the variables studied such as the nature and age of the company. Then the analysis of the strategy development process and factors considered in strategy development and the results are presented in tables and graphs. This is followed by a discussion of the results.

### 4.2 Company Profile

The company profile detailed the nature of the company under study and the number of the years the company has been in operation. This enabled the researcher to understand the different strategy development processes used by the companies. Data was collected from the categories of food manufacturing companies shown on Table 1. Target respondents were from different food manufacturing companies operating in Nairobi only.

**Table 1: Nature of the Company**

<b>Nature of company</b>	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Beverage processing	4	16.0	16.0
Meat processing	3	12.0	28.0
Dairy processing	3	12.0	40.0
Confectionery processing	7	28.0	68.0
Flour processing	2	8.0	76.0
Tobacco processing	1	4.0	80.0

Cooking oil processing	2	8.0	88.0
Fruits processing	2	8.0	96.0
Spices processing	1	4.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

From the table shown above, confectionery processing companies had the largest percentage of respondents in the study.

**Table 2: Age of the company**

No. of years	Frequency	Valid Percent	Cumulative Percent
6 - 10 years	2	8.0	8.0
11 - 15 years	1	4.0	12.0
Over 15 years	22	88.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

88% of the companies are more than 15 years and this indicates that this industry is composed of organizations which have probably gone through several business cycles over their period of operation.

### 4.3 General planning

Planning is part of strategy development process. The types of plans in organizations are mainly in production, finance, strategies and marketing. In strategy development, planning provides structured means of analysis, thinking about complex strategic problems and propelling the organization to face the changes in the environment. Among the food manufacturing companies who participated in the research, 100% confirmed planning to be an important aspect in their strategy development. The emphasis for

planning was to achieve accurate forecasting of the business, gain competitive advantage, increase market share and most importantly to realize the vision through implementation of the plans.

**Table 3 Plan periods**

No. of years	Frequency	Valid Percent	Cumulative Percent
0-1 years	7	28.0	28.0
2-3 years	12	48.0	76.0
4-5 years	5	20.0	96.0
Over 5 years	1	4.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

Majority of the food manufacturing companies have plan periods between two and three years as shown on table 3 above. It was the researcher’s expectations that majority will have planning periods not beyond three years because of the volatile environment and rapid growth of the industries and changing customer tastes and preferences.

#### **4.4 Strategy development process**

Strategy development is viewed as an entire function of establishing organization direction, setting objectives, and devising a managerial plan for the organization to pursue. The aspects of the strategy development process were tested based on the features that characterize the planning process and the process used to formulate the plans for the organization. The results were analyzed in the tables shown below. A five point scale was used to collect the data.

#### 4.4.1 Features of the development planning process

The strategy development in organizations is characterized by some or all of the following features. The results were as shown below.

**Table 4 (a) Deliberate development of strategy**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Not at all	2	8.0	8.0
To a less extent	5	20.0	28.0
Fairly great extent	5	20.0	48.0
Great Extent	13	52.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

Strategies are deliberate, emergent or imposed. Majority of the food manufacturing companies indicated that they deliberately develop their strategies as shown in the table 4 (a) above. According to Mintzberg (1994), Emergent strategy is a set of actions, or behavior, consistent over time, "a realized pattern that was not expressly intended" in the original planning of strategy. When a deliberate strategy is realized, the result matches the intended course of action. An emergent strategy develops when an organization takes a series of actions that with time turn into a consistent pattern of behavior, regardless of specific intentions. "Deliberate strategies provide the organization with a sense of purposeful direction." Emergent strategy implies that an organization is learning what works in practice. Mixing the deliberate and the emergent strategies in some way will help the organization to control its course while encouraging the learning process.

**Table 4 (b) Imposed strategies by external forces**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Not at all	4	16.0	16.0
To a less extent	6	24.0	40.0
Fairly great extent	6	24.0	64.0
Great Extent	9	36.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

To ensure survival and success of organizations, managers ensure that the organizations adjust adequately to meet environmental challenges. Environmental changes such as technological innovation, competition, globalization and consumer needs and preferences affect many organizations and lead to imposition of strategy to the organization. An example is, to encourage manufacturing in Kenya for exports, the government established an in-bond program open to both local and foreign investors. Enterprises operating under this program were offered incentives such as: Exemption from duty and VAT on imported plant, machinery and equipment, raw materials and other imported inputs, and 100% investment allowance on plant, machinery, equipment and building (Rotich 2005). 36% which is the majority of the food manufacturing companies indicated that their strategies are greatly imposed by external forces.

**Table 4 (c) Application of experience**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
To a less extent	4	16.0	16.0
Fairly great extent	12	48.0	64.0
Great Extent	9	36.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

It was evident from the results that majority of the food manufacturing companies use experience in the strategy development. As discussed earlier in the literature review, according to Minzberg (1994), strategic development should be adaptive, and divides it into intended, realised and emergent strategies. In this model, strategic development is the continuous adaptation of past strategies based on experience. In this view strategy is greatly influenced by taken for granted assumptions (culture) and involves large levels of bargaining and negotiation.

**Table 4 (d) Bargaining Power**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Not at all	7	28.0	28.0
To a less extent	5	20.0	48.0
Fairly great extent	9	36.0	84.0
Great Extent	4	16.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

The bargaining power of the food manufacturing companies against their operating environment determines their capability to come up with the relevant strategies. Majority of the companies indicated fairly great extent of using their bargaining power as shown in the table above.

#### **4.4.2 Aspects of strategy formulation**

The main steps in strategy formulation are to come up with the vision, mission and objectives. The objectives are drawn from the analysis done on the internal and external

environment. In the study 96% have a vision, 88% have a mission and 100% have objectives in place. The results analyzed are tabulated as under.

**Table 5 (a) Have a vision**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	24	96.0	96.0
No	1	4.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

Having a vision for an organization is very powerful, it creates meaning for stakeholders within an organization, provides challenging environments for employees, energizes others, brings the future to the present, and creates a common identity. Organizations become motivated, have a purpose, they have an identity, and this makes them uniquely competitive. Leaders have the ability to inspire, attract, align, and energize followers with a vision. Individuals can align their actions with a communicated vision. 96% of the respondents have a vision for the company.

**Table 5 (b) Have a mission**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	22	88.0	88.0
No	3	12.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

Mission statements generally include a statement of purpose, a business statement, and an indication of the company's values. The statement of purpose explicitly states the purpose

of the company. Out of twenty five respondents, only three did not have a mission statement as indicated on the table above.

**Table 5 (c) Have objectives**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	25	100.0	100.0

Source: Resource data 2009

The results indicate that majority of the food manufacturing companies have objectives in place as indicated by the 100%. Organizational objectives are important as they serve as the map used to reach the goals for your organization. Objectives create a union between the mission and the strategies of the organization.

**Table 5 (d) Communication of vision and mission to Management**

Communication is one of the basic functions of management in any organization and its importance can hardly be overemphasized. It is a process of transmitting information, ideas, thoughts, opinions and plans between various parts of an organization. However, good and effective communication is required not only for good human relations but also for good and successful business.

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Very great extent	18	72.0	72.0
Great extent	6	24.0	96.0
Blank	1	4.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

72% which is the majority of the food manufacturing companies indicated that communicating of the vision and mission to managers is very important. Leaders responsible for communicating the vision and mission have the responsibility to ensure that the vision is talked about and kept alive. Each manager needs to buy into the vision and mission and be able to communicate it in his or her own way, in their own language, describing how specifically it works within their area of operations. After which they communicate to the junior staff.

**Table 5 (e) Communication of vision and mission to other Employees**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Very great extent	15	60.0	60.0
Great extent	8	32.0	92.0
Moderate extent	1	4.0	96.0
Blank	1	4.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

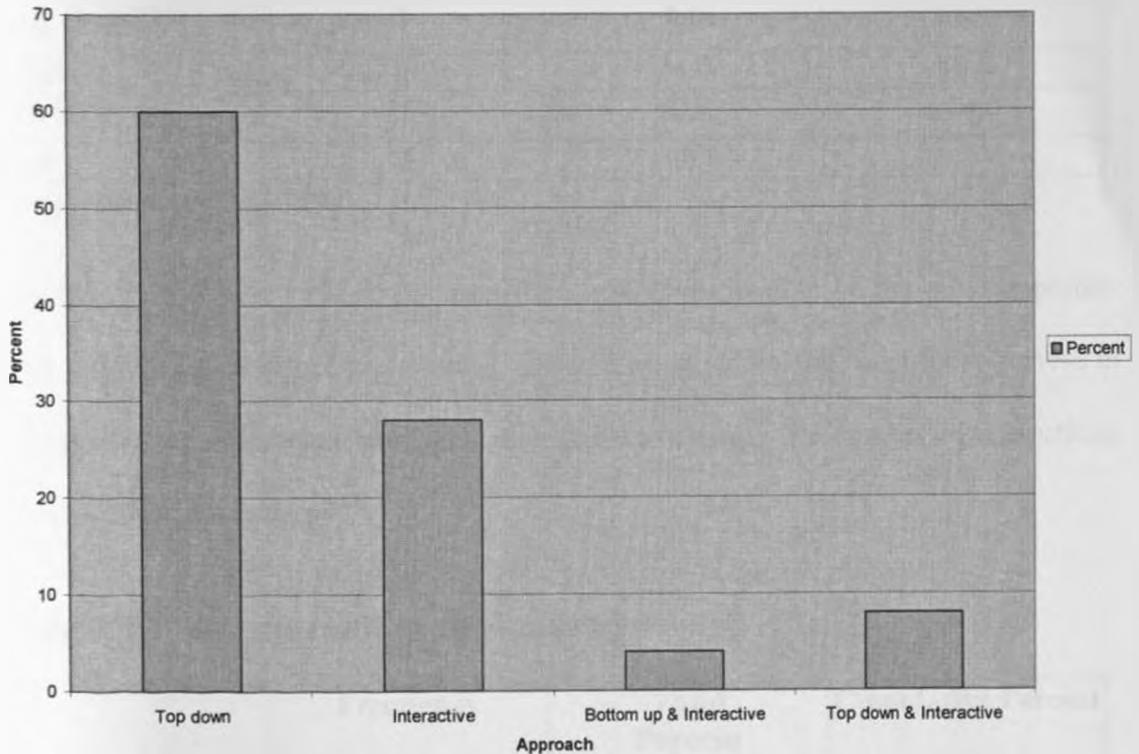
Source: Resource data 2009

As indicated on the table above, a 60% majority of the respondents show that communication of vision and mission to the employees is very important. Discussion with each of the employees is necessary to ensure they fully understand the vision and mission and how they affect their own performance. Each individual must be able to talk about how they believe it affects them, and what is really important to them about behaving within what the vision and mission demands.

### 4.4.3 Approach of setting objectives

Both top down and interactive approach in setting objectives were the most commonly used approaches as shown below.

Figure 3



### 4.5 Factors influencing strategy development

The factors that influence strategy development in organizations emanate from the environment. Organizations face challenges and threats from the environment and draw opportunities from the environment in which they operate. Food manufacturing companies are influenced by factors such as number of competitors, possibility of new entrants, changing customer preferences, government regulations, political instability,

etc. The expectation of this study was that the customers would be the main factor to be considered. The same was confirmed as indicated in the tables below.

**Table 6 (a) Number of competitors**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Least important	2	8.0	8.0
Fairly important	2	8.0	16.0
Important	6	24.0	40.0
Most important	15	60.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

From the table above, number of competitors was considered to be the most important factor influencing strategy development. This was expected because in order to survive in a competitive environment, the organizations have to consider the number of competitors and what their strategies are.

**Table 6 (b) New entrants in the industry**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Least important	2	8.0	8.0
Important to a less extent	1	4.0	12.0
Fairly important	3	12.0	24.0
Important	9	36.0	60.0
Most important	10	40.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

The possibility of new entrants pose a threat to the existing companies and hence was also considered as a key factor in influencing strategy development. The food

manufacturing companies when developing strategies have to take into consideration that in the future after developing and implementing strategies, there might be new players in the food market that may pose a threat to the organization. The table above indicates that majority of the companies consider new entrants as an influence in strategy development. A major threat of new entrants being the cheap imports.

**Table 6 (c) Customers**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Important to a less extent	1	4.0	4.0
Important	1	4.0	8.0
Most important	23	92.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

92% of the respondents considered customers as being the most important factor when developing strategies. This was expected by the researcher because the food manufacturing companies develop strategies in line with the changing customer tastes and preferences. The customers are the main reason for food manufacturing companies to be in operation.

#### **4.5.1 Importance of competitor aspects to organizations**

Organizations require important information in strategy development process. This go a long way in understanding the current situation in the organization's operating environment. Respondents were requested to indicate the level of importance attached to the information required.

**Table 7 (a) Competitor future goals**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Fairly important	2	8.0	8.0
Important	9	36.0	44.0
Most important	14	56.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

The future competitor goals aspect was seen to be most important by majority of the food manufacturing companies. It was expected to be most popular aspect because of the similarity of products manufactured by the companies. An example is companies manufacturing dairy products.

**Table 7 (b) Competitor capabilities**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Fairly important	4	16.0	16.0
Important	13	52.0	68.0
Most important	8	32.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

The capabilities include the resources that a company has and provides a competitive edge to an organization. The companies with more resources stand a greater chance of expanding their production capacity. 52% which is the majority of the food manufacturing companies considered competitor capabilities as important, mostly those relying on the same raw material for production.

**Table 7 (c) Competitor assumptions about the industry**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Important to a less extent	5	20.0	20.0
Fairly important	5	20.0	40.0
Important	13	52.0	92.0
Most important	2	8.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

52% of the food manufacturing companies found this aspect important. It is important as regards evaluating what may change in the environment. The assumptions that a competitor's managers hold about their firm and their industry help to define the moves that they will consider. For example, if in the past the industry introduced a new type of product that failed, the industry executives may assume that there is no market for the product. Such assumptions are not always accurate and if incorrect may present opportunities. For example, new entrants may have the opportunity to introduce a product similar to a previously unsuccessful one without retaliation because incumbant firms may not take their threat seriously. Honda was able to enter the U.S. motorcycle market with a small motorbike because U.S. manufacturers had assumed that there was no market for small bikes based on their past experience (Rumelt 1995).

**Table 7 (d) Competitor current strategies**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Fairly important	3	12.0	12.0
Important	8	32.0	44.0

Most important	14	56.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

The weight given to this aspect is similar to that of the competitor future goals. Given that some food manufacturing companies manufacture the same food products, these companies develop and implement similar strategies. The expectations of this study was that majority of the food manufacturing companies find this aspect most important. Thus it can be concluded that competitor current strategies are most important in strategy development among the food manufacturing companies. 56% of the respondents indicated that it is important to have information on competitor current strategies.

#### 4.5.2 Information considered important in strategic planning process

Respondents were to determine the extent to which information was considered in strategic planning process. Seven factors were used, general economic trends, stakeholders, internal context, social and cultural trends, political and legal developments, technological changes and industry analysis.

**Table 8 (a) General economic trends**

	Frequency	Valid Percent	Cumulative Percent
Fairly considered	2	8.0	8.0
Considered	9	36.0	44.0
Most considered	14	56.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

56% of the respondents considered the economic trends when developing strategies. The economic trends concern the direction in which the company competes or may choose to compete. Gross national product, inflation and interest rates, income growth or decline, savings rates and currency exchange rates are examples of economic factors that companies examine to understand current and future economic trends. Economic trends also affect customers' purchasing decisions (Ireland et al 2009).

**Table 8 (b) Stakeholders**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Fairly considered	2	8.0	8.0
Considered	10	40.0	48.0
Most considered	13	52.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

Majority of the respondents considered the stakeholders information in strategy development process. With 52% of the respondents citing that stakeholders are key in strategy formulation. Stakeholder analysis describes a process where all the individuals or groups that are likely to be affected by a proposed action are identified and then sorted according to how much they can affect the action and how much the action can affect them. This information is used to assess how the interests of those stakeholders should be addressed in a business. Stakeholders can be individuals, organizations, or unorganized groups.

**Table 8 (c) Internal context (e.g. resources, strategic performance, etc)**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Fairly considered	1	4.0	4.0
Considered	13	52.0	56.0
Most considered	11	44.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

52% of the respondents considered the information drawn from the internal context as necessary in strategy development. Strategy capability is underpinned by the resources available to an organization since it is resources that are deployed into the activities of the organization to create competences. The resources include; physical resources, human resources, financial resources and intellectual capital. Lack of these resources poses a challenge to strategy development.

**Table 8 (d) Social and cultural trends**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Not considered	5	20.0	20.0
Fairly considered	8	32.0	52.0
Considered	7	28.0	80.0
Most considered	5	20.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

Responses indicated that majority of the respondents felt that social and cultural trends are fairly considered in strategy development. From table 8 (d), 32% of the respondents

considered this factor as fair. This was contrary to what was expected because for example health consciousness is a trend that has become increasingly important factor in the food industry. Consumers are opting for healthier foods.

**Table 8 (e) Political and legal developments**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Not considered	4	16.0	16.0
Fairly considered	7	28.0	44.0
Considered	8	32.0	76.0
Most considered	6	24.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

32% which is the majority of the respondents as depicted from table 8 (e) above felt that this factor should be considered in strategy development.

Political and legal developments pertain to changes in organizations and interest groups that compete for a voice in developing and implementing the bodies of laws and regulations that guide interactions among the companies. The powerful individuals and groups may influence the sort of information that is seen to be important and also influence the strategies eventually selected. Therefore political and legal developments should be considered in strategic planning process in food manufacturing companies. Managers must carefully examine the developments in taxation, industry regulations as well as labour laws because of their potential importance to the implementation of strategies.

**Table 8 (f) Technological changes**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Not considered	3	12.0	12.0
Fairly considered	4	16.0	28.0
Considered	10	40.0	68.0
Most considered	8	32.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

40% of the respondents found technological changes a key factor to be considered in strategy development. This was expected due to the rapid changes in technology locally and globally.

Technological changes concern changes related to creating new knowledge and translating that knowledge into new products, processes and material. Some companies require a thorough examination of technological trends because of swift technological changes and shortened product life cycles in their industries. Companies also study technological changes to identify opportunities, threats and enable them achieve advantage over their competitors. (Ireland et al 2005). Technology changes affect operations in organizations. To be competitive, organizations must be swift in adopting the current technology. This was evident in food manufacturing companies.

**Table 8 (g) Industry analysis**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Not considered	1	4.0	4.0
Fairly considered	6	24.0	28.0
Considered	9	36.0	64.0
Most considered	9	36.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

Industry analysis is a type of investment research that begins by focusing on the status of an industry or an industrial sector. The analysis is an important tool that facilitates a company's understanding of its position relative to other companies that produce similar products or services. Understanding the forces at work in the overall industry is an important component of effective strategic planning. Industry analysis enables business owners to identify the threats and opportunities facing their businesses, and to focus their resources on developing unique capabilities that could lead to a competitive advantage (Porter 1980). The food manufacturing companies are very keen on analyzing their industry. This is because the food industry is competitive especially for companies manufacturing similar products. This is evident from the table which shows the results obtained with 36% indicating use of industry analysis.

#### **4.6 Tools and techniques of strategy development**

In strategy development, officers in charge of developing strategies, use various tools and techniques for guidance in developing the strategies. Of interest in this study the tools

and techniques identified were SWOT analysis, key success factor analysis, forecasting and portfolio methods.

**Table 9 (a) SWOT analysis**

<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
25	100.0	100.0

Source: Resource data 2009

The results indicate that majority of the food manufacturing companies use SWOT analysis as indicated by the 100%. This was expected because for any organization to survive in competitive playing field it has to conduct SWOT analysis to survive in the market. SWOT (strengths /weaknesses /opportunities /threats) analysis serves as the fundamental methodology for formulating the firm's strategy. The underlying premise in this approach is to match the firm's distinctive competencies and resources with the market to create a perfect match between the firm and the external environment and therein develop a sustainable competitive advantage (Miles and Snow 1984).

**Table 9 (b) Key success factor analysis**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	23	92.0	92.0
No	2	8.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

This tool was also used with 92% of the respondents agreeing to using the tool.

Key success factor are critical factors or activities required for ensuring the success of businesses. In organizations the factors mainly analyzed include brand image, product quality, product cost, human resources, budgets and markets (Ronald 1961).

**Table 9 (c) Forecasting**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	24	96.0	96.0
Blank	1	4.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

96% of the respondents considered forecasting as an important technique used in strategy development. Forecasting is the process by which companies ponder and prepare for the future. It involves predicting the future outcome of various business decisions. This includes the future of the business as a whole, the future of an existing or proposed product or product line, and the future of the industry in which the business operates, to name a few. Forecasting helps the company prepare for the future and make plans that will lead to becoming a financially successful business (Bushman 2007).

**Table 9 (d) Portfolio methods**

	<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	10	40.0	40.0
No	14	56.0	96.0
Blank	1	4.0	100.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	

Source: Resource data 2009

40% of the respondents indicated use of the portfolio methods which are alternative methods of looking at an enterprise and identifying potential profit opportunities. The popular portfolio methods used are the BCG and Porter's five forces. BCG (Boston Consulting Group) matrix provides a framework for allocating resources among different business units and allows one to compare many business units at a glance. The BCG growth-share matrix displays the various business units on a graph of the market growth rate vs. market share relative to competitors and resources are allocated to business units according to where they are situated on the grid which has four categories: Cash Cows, Stars, Question Marks and Dogs (Stern & Deimler 2006).

# **CHAPTER 5: SUMMARY, CONCLUSION & RECOMMENDATIONS**

## **5.1 Introduction**

This chapter presents a summary of the study findings where the main objectives were to determine the strategy development processes and establish the challenges faced in strategy development processes. Conclusion and recommendations are also discussed in this chapter. Limitations of the study and suggestions for further research are discussed.

## **5.2 Summary**

Majority of the food manufacturing companies confirmed using a certain process to develop strategies. They have a vision, mission and objectives in place. Among the food manufacturing companies surveyed 96% have a vision. Vision gives direction to the organization.

Various factors influencing strategy development among food manufacturing companies were examined and majority of the companies showed importance to factors such as number of competitors, new entrants, customers and services offered.

The food manufacturing companies use various tools to guide them in the process of coming up with their strategies. SWOT analysis came out to be the common tool used in developing their strategies with 100% companies confirming use of the tool. Key success factor analysis and forecasting were also other key techniques used by the companies.

Portfolio models were also gaining popularity with 40% of the companies showing interest in using them in their strategy development process.

General strategies are used by the food manufacturing companies to enable them achieve their objectives while responsible to the environment surrounding them.

Key issues that need to be addressed in order to improve the performance, are issues relating to the organization structure, distribution of planning responsibilities and management strategies of the companies makes it challenging for the companies to have a smooth strategy development process.

### **5.3 Recommendations**

The food manufacturing companies should address the identified challenges in order to ensure that strategy development process is successful. This can be achieved among others, through aligning the organization structure to the strategies, eliminate the communication barriers and ensure the resources are adequate.

### **5.4 Limitations of the study**

The limitation in this study was the unwillingness and delay of some respondents to complete the questionnaire.

### **5.5 Suggestions for further study**

This study concentrated on the strategy development process in food manufacturing companies. Similar studies can be done on other players in the food industry for instance the food packaging companies, this has not been covered in this study.

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## APPENDIX I: LETTER OF INTRODUCTION

DATE .....

To: The Respondent

Dear Sir/Madam,

**RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH WORK**

I am a post graduate student undertaking a Master of Business Administration Degree at the School of Business, University of Nairobi. In order to fulfil the Degree requirements, I am currently conducting a management research project on Strategy development in food manufacturing companies in Nairobi.

Your company has been chosen to participate in this research and I would highly appreciate if you would kindly spare some of your precious time to complete the attached questionnaire for me.

The information sought from you will be treated with utmost confidence, and the results of this study will be used for academic purposes only. Your name and that of the company will not be mentioned in the report.

Thanking you in advance.

Yours faithfully,

**GATHUNGU, STELLA MUTHONI**

MBA Student  
School of Business,  
University of Nairobi

## APPENDIX II: STUDY QUESTIONNAIRE

Please answer all questions)

### SECTION A: Profile of the Respondent

Section/Department \_\_\_\_\_

Position/Designation \_\_\_\_\_

Nature of the Company \_\_\_\_\_

Year of establishment of the company \_\_\_\_\_

### SECTION B: General Planning

Is planning accepted as a philosophy in your organization?

Yes

No

( )

( )

If yes, what does the organization seek to achieve through planning?

---

---

What time periods do your plans cover?

( ) 0 - 1 years

( ) 2 - 3 years

( ) 4 - 5 years

( ) Over 5 years

## SECTION C: Strategy Development process

1. To what extent do the following features characterize your planning process.

(Use a 5 point scale, where 1= Not at all and 5= Great extent)

- |  |   |   |   |   |   |
|--|---|---|---|---|---|
| a) Having a planning department  | 1 | 2 | 3 | 4 | 5 |
| b) Deliberate development of strategy by learning through doing  | 1 | 2 | 3 | 4 | 5 |
| c) Imposed by forces external to the organization e.g. government, competitors, inflation                  | 1 | 2 | 3 | 4 | 5 |
| d) The application of the experience and ways of doing things built over the years within the organization | 1 | 2 | 3 | 4 | 5 |
| f) Through processes of bargaining and negotiation among powerful internal/external interest groups        | 1 | 2 | 3 | 4 | 5 |

2. Which process is used to formulate plans for your organization. (Please tick as appropriate)

- |   |         |        |
|---|---------|--------|
| i) Formal planning meetings                     | Yes ( ) | No ( ) |
| ii) Informal planning sessions                  | Yes ( ) | No ( ) |
| iii) Well defined responsibilities for planning | Yes ( ) | No ( ) |
| iv) Schedules for preparation of plans          | Yes ( ) | No ( ) |
| v) Existence of planning departments            | Yes ( ) | No ( ) |
| vi) Other (Specify) _____                       |         |        |

## SECTION D: Aspects of Strategy Formulation (Vision, Mission & Objectives)

1. (a) Does the organization have a vision?

Yes

No

( )

( )

(b) If yes, what is the vision of your organization?

---

2. (a) Do you have a mission statement for your organization?

Yes

No

( )

( )

(b) If yes, is it a written statement?

Yes

No

( )

( )

3. To what extent is your vision and mission communicated to each of the following?

	<b>Very great extent</b>	<b>Great extent</b>	<b>Moderate extent</b>	<b>A little extent</b>	<b>Not at all</b>
<b>Management</b>					
<b>Other employees</b>					
<b>Outsiders</b>					

4. Does your organization have objectives?

Yes

No

( )

( )

(b) If yes, who participates in the objectives setting process?

---

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(c) Which approach does your organization use in setting objectives?

(Please tick where appropriate)

- Bottom-up
- Top-down
- Interactively
- Special department
- Other, Please specify \_\_\_\_\_

(d) Which method does your organization use to communicate its objectives? (Please tick as appropriate)

- Posters
- Word of mouth
- Circulars
- Other, Please specify \_\_\_\_\_

**SECTION E: Factors influencing strategy development**

1. Indicate the importance your organization attaches to information on the following in its strategy development (1= Least important, 5= Most important)

a) Number of competitors	1	2	3	4	5
b) Possibility of new entrants in the industry	1	2	3	4	5
c) Customers	1	2	3	4	5
d) Services that may be offered	1	2	3	4	5
e) Others (Specify) _____					

2. Indicate the importance your organization attaches to the following aspects of its competitor  
**(1= Least important, 5= Most important)**

a) Their future goals	1	2	3	4	5
b) Their capabilities (e.g. resources)	1	2	3	4	5
c) Their assumptions (about the industry)	1	2	3	4	5
d) Their current strategies (e.g pricing)	1	2	3	4	5
e) Others (Specify) _____					

3. What are the key success factors in your industry?

---

4. How do you collect information on the various aspects of your environment?

---

5. Would you describe your organization environment as turbulent? **Please indicate your perception on the following scale.**

- Stable ( 1 )
- Semi stable ( 2 )
- Moderate ( 3 )
- Turbulent ( 4 )
- Extremely turbulent ( 5 )

6. Indicate the extent to which information on the following factor is considered in strategic planning process in your organization.

**(1 = Not considered; 5 = prime consideration)**

a) General economic trends	1	2	3	4	5
----------------------------	---	---	---	---	---

b) Stakeholders (customers, government, suppliers, etc)	1	2	3	4	5
c) Internal context (resources, strategic, performance etc)	1	2	3	4	5
d) Social and cultural trends	1	2	3	4	5
e) Political and legal developments	1	2	3	4	5
f) Technological changes	1	2	3	4	5
g) Industry analysis	1	2	3	4	5
h) Others (Specify) _____					

**SECTION F: Tools and techniques**

Below are a number of tools and techniques that may be used in developing strategies for an organization. Please indicate if your organization uses any of them.

(a) SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.

Yes

No

( )

( )

(b) Key success factor analysis for example, financial strength, credibility.

Yes

No

( )

( )

(c) Forecasting (environmental, financial, prices, etc)

Yes

No

( )

( )

(d) Portfolio methods (Porter 5 forces, Boston Consulting Group)

Yes

No

( )

( )

(e) Others (Specify) \_\_\_\_\_

**SECTION G: Strategies**

1. (a) Has your organization developed strategies for operations?

\_\_\_\_\_

(b) If yes, are they put in writing once they are developed?

\_\_\_\_\_

(c) Have you revised these strategies over time?

\_\_\_\_\_

(d) If yes, why?

\_\_\_\_\_

(e) What does your organization seek to achieve with these strategies?

\_\_\_\_\_

\_\_\_\_\_

2. What type of strategies (competitive) does your organization pursue? (Please rank them in order of importance (1= Least important, 5= Most important))

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

e. \_\_\_\_\_

f. \_\_\_\_\_

3. Using the criteria below, how would you rate the following challenges of strategy development as experienced in your organization?

**Please indicate in the spaces.**

- (1) Not challenging
- (2) Least challenging
- (3) Fairly challenging
- (4) Challenging
- (5) Very challenging

Resources inadequacy \_\_\_\_\_

Resistance to change \_\_\_\_\_

Organizational culture \_\_\_\_\_

Organizational politics \_\_\_\_\_

Communication barriers \_\_\_\_\_

Organizational structures \_\_\_\_\_

Lack of employees support \_\_\_\_\_

Lack of stakeholders support \_\_\_\_\_

4. Briefly explain the impact of these challenges to your strategy development process.

\_\_\_\_\_

5. Briefly comment on your role and opinion on the overall organizations strategy development process.

\_\_\_\_\_

***THANK YOU FOR FILING THE QUESTIONNAIRE***

Total Members - 30

	Company	Sector	Chapter
1	Alpha Fine Foods Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
2	Alpine Coolers Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
3	Bidco Oil Refineries Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
4	Bio Foods Products Limited	Food, Beverages and Tobacco	Nairobi and Surrounding
5	British American Tobacco Kenya Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
6	Brookside Dairy Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
7	Candy Kenya Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
8	Coca-Cola East Africa Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
9	Deepa Industries Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
10	Del Monte Kenya Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
11	E & A Industries Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
12	East African Breweries Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
13	East African Sea Food Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
14	Farmers Choice Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
15	Jambo Biscuits (K) Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
16	Kenya Wine Agencies Limited	Food, Beverages and Tobacco	Nairobi and Surrounding
17	Manji Food Industries Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
18	Nairobi Bottlers Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
19	Nestle Kenya Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
20	Proctor & Allan (E.A.) Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
21	Spin Knit Dairy Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
22	Super Bakery Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
23	Trufoods Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
24	UDV Kenya Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
25	Unga Group Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
26	Usafi Services Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
27	Uzuri Foods Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
28	ValuePak Foods Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
29	W. E. Tilley (Muthaiga) Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding
30	Wrigley Company (E.A.) Ltd	Food, Beverages and Tobacco	Nairobi and Surrounding